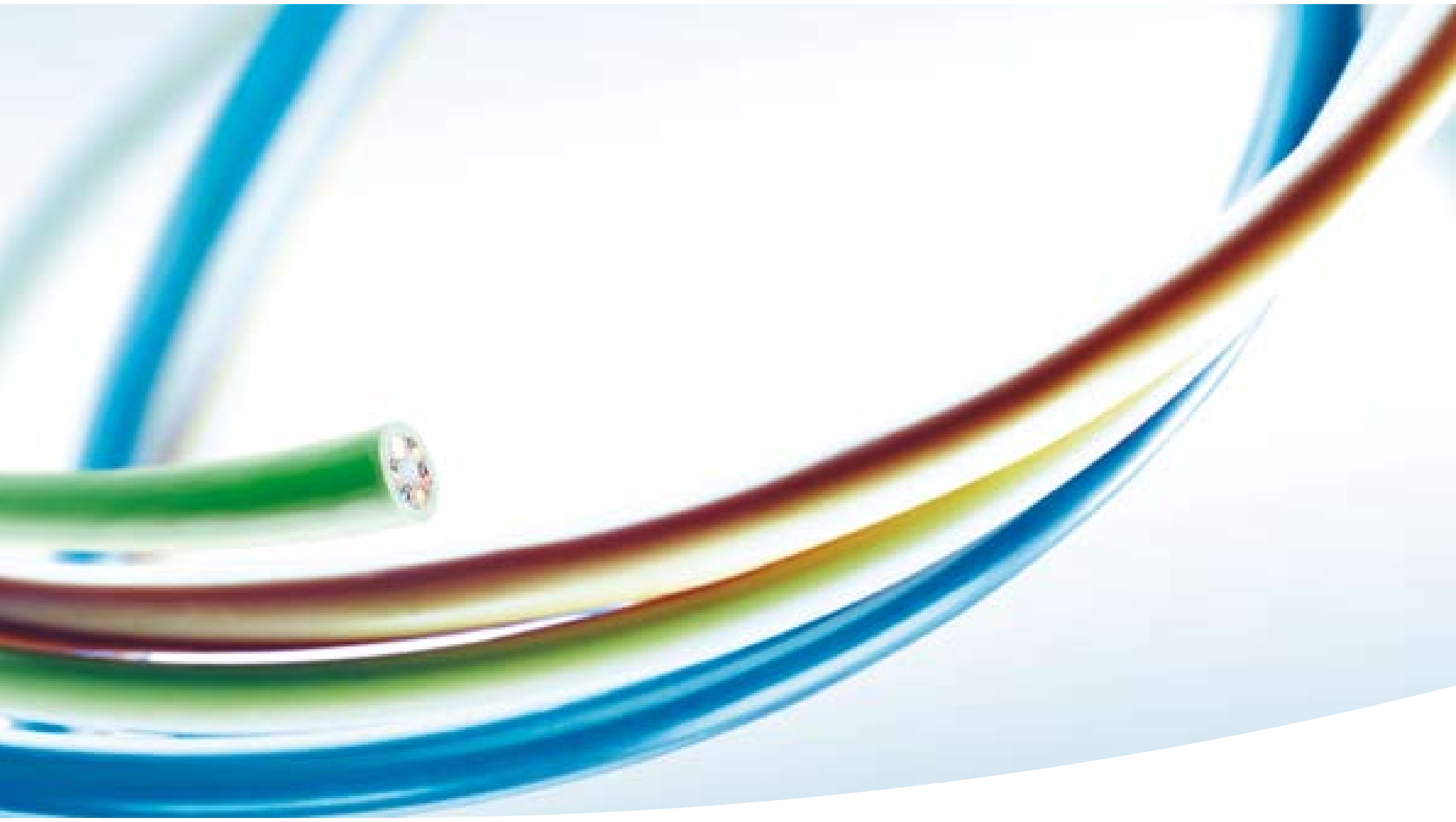
Exhibit H

Annual Report 2006



The Quality Connection

LEONI

Contents

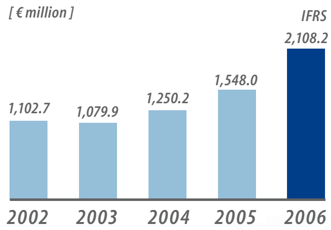
This Annual Report is published in German and English. The original is in German language. In case of doubt or conflict, the German language version will prevail.

Key figures

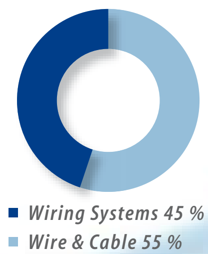
	IFRS	**2006**	2005	2004	US GAAP	2003	2002
Sales [€ '000]		2,108,244	1,547,973	1,250,193		1,079,856	1,102,741
	Germany [%]	41.2	45.3	42.2		46.8	48.1
	EU (without Germany) [%]	32.2	32.7	32.2		29.2	22.3
	Non EU countries [%]	26.6	22.0	25.6		24.0	29.6
	Wire & Cable [%]	54.7	43.2	45.4		48.4	46.7
	Wiring Systems [%]	45.3	56.8	54.6		51.6	53.3
Earnings	EBITDA [€ '000]	193,288	159,144	107,267		101,113	121,760
	EBIT [€ '000]	130,233	102,829	56,750		49,626	71,561
	Income (from continuing operations) before taxes [€ '000]	116,599	88,830	41,334		36,961	58,983
	Net income [€ '000]	79,325	56,093	27,674		22,099	47,439
Cash flow	Depreciation and amortisation [€ '000]	64,255	56,737	58,302		51,487	50,199
	Cash provided by operating activities [€ '000]	136,099	111,071	83,923		35,927	73,453
	Capital expenditure [€ '000]	194,807	87,016	95,738		98,151	78,736
Balance Sheet	Property, plant and equipment, Intangible assets, Goodwill [€ '000]	489,198	396,495	361,868		336,546	330,265
	Net debt [€ '000]	236,912	167,489	160,566		271,035	212,232
	Equity [€ '000]	481,701	427,152	364,903		225,908	235,555
	Equity [ratio in %]	35.1	40.6	41.6		31.1	33.7
Employees	Personnel expenses [% of sales]	18.9	21.3	23.2		24.4	23.1
	Employees [as per 12/31]	35,129	32,638	29,957		21,392	18,478
	employed abroad [%]	89.0	88.7	89.9		86.4	84.6
Share	Market capitalisation 12/31 [€ million]	917.7	799.8	495.0		323.4	202.6
	Group net income per share [€]	2.64	1.89	1.12 *		1.12 *	2.40 *
	Dividend per share [€]	0.80	0.57	0.42 *		0.38 *	0.38 *

* *Adapted to share split 1:3*

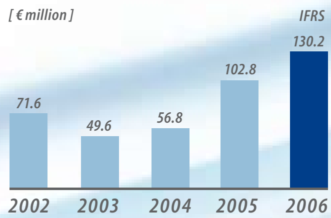
Consolidated sales



Sales 2006
by business division



Consolidated EBIT



Annual Report 2006

LEONI

Highlights of 2006

January
LEONI integrates the Stolberg-based Kerpen group of companies and thereby assumes leadership in the German market for data transmission cables. Kerpen also gives LEONI very good access to the industrial project business.

February
For the third time in succession, the Corporate Research Foundation commends LEONI as one of the best employers in Germany. The deciding factors are good working conditions, social benefits and advancement opportunities for employees.

March
The third production line at our wiring systems facility in Hermosillo, Mexico goes into operation. From here LEONI supplies cable harnesses for the new BMW X5 to BMW's US plant in Spartanburg.

April
By bestowing LEONI with its "Supplier of the Year" award for what is the fourth time already, car maker General Motors acclaims our company as the best provider of wiring systems, worldwide.

May
Major shareholder Groga sells its holding in LEONI to a wide circle of institutional investors. This increases the free float to 100 percent.

June
LEONI opens a state-of-the-art facility in Shanghai, which took just seven months to build, for production, distribution and development of wiring systems.

July

LEONI broadens its position in the market covering high-end special cables for industrial and infrastructure applications by acquiring all the shares in Switzerland-based Studer Draht- und Kabelwerk AG.

With the aim of bolstering its financial underpinnings for further growth, LEONI places a fixed-income bond issue amounting to € 200 million.

August

With LEONI HighTemp Solutions, LEONI establishes a new facility based in North-Rhine Westphalia for production of specially insulated cables for use in the growth market for high temperature cables.

September

Dr Klaus Probst is acclaimed as Strategist of the Year 2006. The award is, under the auspices of Financial Times Deutschland, presented annually to particularly farsighted and successful chief executives. The criteria include increase in enterprise value and job creation.

October

LEONI acquires the Austrian glass fiber cable systems company NBG Fiber-Optic and thereby strengthens its position in the promising market for fiber optic cable systems.

November

LEONI further extents its position in the fiber optics market by acquiring a majority of the shares in Jena-based j-fiber GmbH. LEONI will consolidate j-fiber on a pro-rata basis from January 2007.

Supervisory Board and Management Board

Members of the Supervisory Board

Ernst Thoma, Nuremberg
Chairman of the Supervisory Board

Gerhard Stechhammer, Gunzenhausen*
1st Deputy Chairman of the Supervisory Board
until 30 September 2006

Franz Spieß, Roth-Pfaffenhofen*
from 4 October 2006 on;
1st Deputy Chairman of the Supervisory Board
from 7 December 2006 on

Dr Werner Rupp, Burgthann
2nd Deputy Chairman of the Supervisory Board

Gabriele Bauer, Prichsenstadt*

Frank Becker, Schwanstetten*

Dr Jürgen Behrend, Lippstadt

Paula Englhard, Ingolstadt*

Gerhard Heßlinger, Roth*

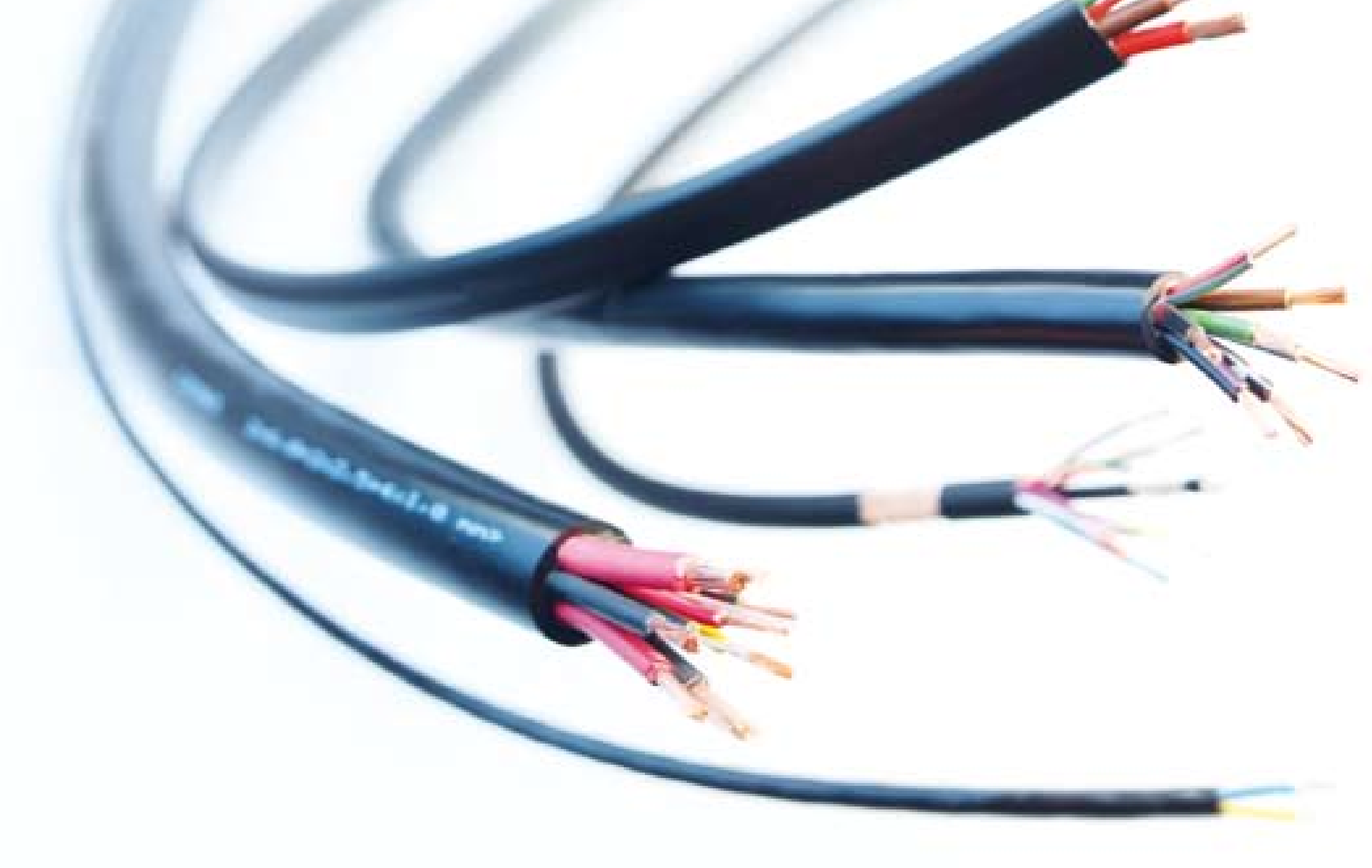
Hans-Werner Jacob, Vaterstetten

Dr Werner Marnette, Hamburg

Hans Peuschel, Nuremberg*

Horst Schmidmer, Nuremberg

* *Employee representatives*



Members of the Management Board

Dieter Bellé, Roth
in charge of Finance, Controlling and Labour Affairs;
Member of the Management Board since 2000

Uwe H. Lamann, Nuremberg
in charge of the Wiring Systems Division;
Member of the Management Board since 1999

Dr-Ing. Klaus Probst, Heroldsberg
Chairman of the Management Board;
in charge of the Wire & Cable Division;
Member of the Management Board since 1997

Shareholder's Letter

Dear Sir or Madam,

LEONI AG continued its success story in 2006 as well. All targets set at the beginning of the year were met and in some cases exceeded: consolidated external sales were up 36 percent to € 2.1 billion and thus clearly topped the two billion threshold. This growth was due to the three factors of organic growth, acquisitions and a substantial increase in the price of copper. Net income also increased considerably – by 41 percent to € 79.3 million. This equates to earnings of € 2.64 per share. On this solid basis, the Management Board and Supervisory Board will propose to the Annual General Meeting on 3 May 2007 to raise the dividend from € 0.57 per share to € 0.80.

The fact that LEONI AG again succeeded in generating record-level sales and earnings is attributable – along with the favourable underlying economic conditions – above all to the strategy that we have been resolutely applying for years now. Our objective in the Wiring Systems division is to steadily enhance its position in the market as an expert supplier of systems to the international motor vehicle industry and to grow, primarily organically, by gaining new customers and work on vehicle platforms. The Wire & Cable division is pursuing its objective of more expansion in promising niche markets outside the automotive industry by way of acquisition and organic growth. We are thereby broadening our footprint to cushion the cyclical effects of the automotive sector, our single largest market, and to establish ourselves as a multifaceted systems provider in key markets of the future. The focus, among other areas, is on the communications and capital goods industries, the aviation and space industry, automation, medical and marine technology as well as the market for infrastructure projects.

LEONI took another major step forward in implementing this strategy in 2006: The Wiring Systems division succeeded last year in gaining several large-scale orders from Ford, BMW, General Motors and DaimlerChrysler, among others. These involve both new projects and follow-on orders, which ensure utilisation of existing capacity. Yet this new business cannot be expected to make significant contributions to sales before 2009. Stepped up work in the commercial vehicle market as well as in the regions of the Americas and Asia established additional foundations for future growth. Setting up a new facility in Shanghai, which has substantially improved LEONI's position in the Chinese market, was particularly important in this regard.

In the Wire & Cable division, LEONI in 2006 tapped promising market niches in a targeted way with a range of strategic measures and is thereby increasingly developing into a provider of complete cable systems.

- Through the Kerpen Group, which has been part of the LEONI Group since early 2006, the Company succeeded in entering the promising project business involving special cables for the oil and gas production industry. Kerpen is, furthermore, a leading supplier of copper and glass fiber-based data cables.
- The acquisition of the special cables manufacturer Studer strengthened LEONI's position in the market for infrastructure projects, which provides good opportunity for expansion because of the global increase in transport and traffic volume.
- LEONI Special Cables gained access to the likewise fast-growing aviation and space industry with its first larger-scale order involving the wiring of a business jet.
- Newly established LEONI HighTemp Solutions rounded off our offering of cables for high temperature applications, which are called for mainly by the capital goods and automotive industries.
- Two further acquisitions – NBG Fiber-Optic and j-fiber – enhance LEONI's product range involving glass fiber cable technology and will thus in the future enable the Company to present itself as an all-in provider in this field of business.

Dr-Ing. Klaus Probst

To take account of its broadened presence in the market and its comprehensive technology portfolio, the Wire & Cable division was at the beginning of 2007 given a new organisational structure and renamed Wire & Cable Solutions.

The division's strong growth meant that business with the automotive industry accounted for about 68 percent of consolidated sales in 2006; the communications, medical equipment, capital goods as well as household appliance sectors accounted for the remaining sales. This was another step in the transition from a heavily car-dominated business to a very broadly based group.

LEONI is fully on schedule in terms of growth and strategy. And we also met our financial targets in 2006: the group generated free cash flow of about € 62 million before dividends and acquisitions. To strengthen its financial base, the Company also placed a new bond issue that met with strong interest on the capital market. Despite its major expansion, the Group posted a solid 35 percent equity ratio.

On the capital market, too, LEONI was on the up: the price of its share rose by about 15 percent in the year under report even though the former major shareholder Groga sold its holding – nearly 20 percent – to a wide circle of institutional investors in May 2006. This increased the free float to 100 percent.

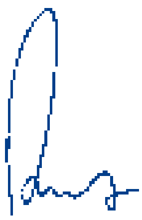
An investment in LEONI will continue to be appealing in the future because the prospects for our business are unabatedly favourable: The foundations for further, significant growth were laid last year with the acquisitions made and the large-scale orders taken.

Yet both fiscal 2007 and 2008 will yield only a moderate sales increase before LEONI records double-digit rates of growth again from 2009.

LEONI has meanwhile, as a high growth, innovative and customer-oriented company, established leading positions in its most important core markets. This proven course is to be maintained in the years ahead as well.

However, long-term business success is based not only on a good strategy, but most especially also on the strong performance, high motivation and know-how of all employees. On behalf of the Management Board, I should like to thank the entire workforce for its great commitment.

I also thank you, our shareholders, wholeheartedly for the confidence that you are placing in LEONI. The employees of LEONI will in the future, too, endeavour to justify this confidence and to take their company further forward.



Dr-Ing. Klaus Probst
Chairman of the Management Board

Supervisory Board Report

Dear shareholders,

In the 2006 financial year, the Supervisory Board diligently performed its duties in accordance with statutory requirements and the provisions of the Company's Articles of Association. The Management Board provided the Supervisory Board with comprehensive and up-to-date reports on the Company's situation and its operating performance as well as all significant business transactions on a regular basis. The presented monthly and interim reports, planning documents providing details of operational planning, financial planning, capital investment planning and personnel planning as well as the findings of ongoing risk monitoring were discussed in depth with the Management Board during meetings of the Supervisory Board. The Management Board also advised the Supervisory Board outside the scheduled meetings of projects and transactions of special significance.

Main topics of discussion by the Supervisory Board

The Supervisory Board held a total of five ordinary meetings during the 2006 financial year, specifically on 21 March, 3 May, 27 July, 28 September and 7 December. In addition, the Supervisory Board held an extraordinary meeting on 23 May 2006 to discuss possible acquisition projects.

The regular agenda items for the Supervisory Board's ordinary meetings were the current business situation, the progress made with major capital investment projects as well as issues of strategic significance such as establishment of new companies and investments.

The Supervisory Board approved a Management Board plan to issue corporate bonds intended to improve and broaden the Company's financial basis. The debentures with a face value of € 200 million were successfully placed in July 2006.

Taking the wide debate in society about economic crime as a cue, the Supervisory Board of LEONI AG discussed this topic in September. As LEONI has applied numerous precautions throughout the group as part of its risk management systems, in order for example to rule out corruption and dishonest dealings from the outset, the likelihood of such illegal action may be regarded as very minor.

During the meeting on 7 December 2006, the Management Board explained its further refinement of the strategy for LEONI AG. Following a comprehensive discussion, the Supervisory Board gave the strategy document its unqualified support. The Board is convinced that the proposed measures are appropriate to keep the Company on the growth course on which it has embarked in the years ahead as well. Based on the adopted strategy, the Supervisory Board unanimously approved the planning for the 2007 financial year as well as for the medium-term.

Also on 7 December, the Supervisory Board discussed the recommendations of the "Government Commission on the German Corporate Governance Code" (German abbr. 'DCGK'). The Supervisory Board and Management Board of LEONI AG support the objectives of responsible and transparent corporate governance. It was therefore decided in future to conform fully to all the recommendations of the DCGK in its version of 12 June 2006. A revised Declaration of Conformity – approved by the Supervisory Board – pursuant to Article 161 of the German Public Companies Act records the points where LEONI diverged from the recommendations in 2006. This has been published on the www.leoni.com website. The Declaration of Conformity as well as more detailed explanations of the divergence are to be found in the Corporate Governance Report. During the discussion about the DCGK, measures to audit and enhance the efficiency of the Supervisory Board's work were also discussed.

Work of the committees

The personnel committee of the Supervisory Board met once during the 2006 financial year. In accordance with the Company's Articles of Association, the committee is responsible for Management Board personnel issues and for preparing the appointment of managing directors of key LEONI AG subsidiaries. In the past financial year, the only

Ernst Thoma

item on the agenda was the amendment to the wording of a Management Board contract.

The audit committee met on 10 March 2006 to discuss the fiscal 2005 financial statements with representatives of the auditing company and to subject them to a pre-audit. Convening of the arbitration committee pursuant to Article 27, section 3 of Germany's Co-determination Act was not required.

Audit of 2006 consolidated and annual financial statements

Ernst & Young AG were appointed as the auditors at the Annual General Meeting on 3 May 2006. Said company audited and granted an unqualified certificate for the 2006 financial statements and the management report of LEONI AG prepared by the Management Board as well as the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) and the group management report. Overall, the management reports provide an accurate description of the situation of both the Company and the Group, and appropriately set out the opportunities and risks with respect to future performance.

The auditors' assessment of LEONI's risk management system was also a favourable one. It found that all staff in positions of responsibility at both the German and foreign companies are efficiently incorporated in the risk management system.

The annual financial statements of LEONI AG and the Group, the management reports as well as the audit reports of the auditors were made available to all members of the Supervisory Board in good time. The audit committee pre-audited these documents on 13 March 2007 and thereafter discussed them in depth during the ordinary meeting on 20 March 2007 of the Supervisory Board. Representatives of the auditing company, who reported on the key findings of the audit and were available to provide additional information, also took part in both of these meetings.

The audit by the Supervisory Board of the financial statements and the management report of LEONI AG as well as the consolidated financial statements and the Group management report for the 2006 financial year did not give rise to any objections. The Supervisory Board therefore unanimously approved and thus duly adopted, pursuant to Article 172 of the German Public Companies Act, the consolidated financial statements as prepared by the Management Board and the financial statements of LEONI AG for the year ending 31 December 2006.

The Supervisory Board supported the Management Board's proposal on the application of distributable profit, which provides for distributing a dividend of € 0.80 per share.

Changes in personnel

Mr Gerhard Stechhammer, first deputy chairman of the Supervisory Board, resigned his mandate effective 30 September 2006 for personal reasons. The Supervisory Board thanks Mr Stechhammer for his commitment and constructive collaboration over the past years. On 4 October 2006, the Nuremberg local court assigned as his successor Mr Franz Spiess, second authorised signatory of the administrative office in Schwabach of the IG Metall trade union. During its meeting on 7 December 2006, the Supervisory Board elected Mr Spiess as its first deputy chairman.

The Supervisory Board wishes to thank the Management Board of LEONI AG, the managing directors of all Group companies, the elected works council representatives as well as all employees for their commitment in the past financial year. Only the unstinting commitment of everyone involved in the Company is what made the once again very good 2006 result possible.

Nuremberg, 20 March 2007

Ernst Thoma
Chairman of the Supervisory Board

Kerpen GmbH & Co. KG
Industrial projects

Corporate Governance

*) highly complex

Hundreds of kilometres of widely differing and mostly very much high-end cables are installed in major industrial plants, especially so in the oil and gas production sector as well as in the petrochemical industry. The ideal circumstance for planners and builders of such plants is when they can procure all these cables from a single source.

Yet cables that are, for example, steel armoured or lead sheathed as well as insulated with polymers that are highly fire retardant, halogen free and resistant to aggressive media are not available everywhere. This is because making them requires special equipment and production processes as well as specific approvals. Furthermore, it calls for many years of experience to properly commission large quantities of cable and to transport them in time to any desired location in the world.

The planners, builders and operators of such major plants are assuming ever greater significance with respect to the increasing shortage of resources. With its new subsidiary, Kerpen in Stolberg, LEONI has exactly the know-how to serve this both technically and logistically demanding customer group in the best possible way.

Corporate Governance Report

Report of the Management Board and the Supervisory Board of LEONI AG on corporate governance pursuant to Section 3.10 of the German Corporate Governance Code

Responsible corporate governance that is simultaneously geared to sustained growth in enterprise value is among the key duties of both the Management Board and the Supervisory Board. As in the preceding years, the Management Board and the Supervisory Board of LEONI AG therefore again in the period under report deliberated in depth on the recommendations and suggestions of the German Corporate Governance Code ("Code") in its versions as valid in 2006 and dated 2 June 2005 as well as 12 June 2006. Apart from a total of just four instances of deviation, the Company conformed to all Code recommendations (so-called "shall"-clauses). In their Corporate Governance Declaration adopted in December 2006, which was published on LEONI AG's website ("Declaration of conformity") and is reproduced on page 17 of this report, the Management Board and the Supervisory Board also declared their intention in future to follow all the Code's recommendations without deviation in performing their duties. Furthermore, the Company also already observes almost all the suggestions contained in the Code (so-called "should"- or "can"-clauses).

Shareholders and General Meeting

The Management Board presents the financial statements and the consolidated financial statements to the Company's Annual General Meeting. During the Annual General Meeting, shareholders can take the floor to comment on agenda items as well as pose questions and table applications relating to them. The Annual General Meeting decides on profit distribution as well as discharge of the Management Board and the Supervisory Board, elects the shareholder representatives on the Supervisory Board and appoints the auditors. At the Annual General Meeting held on 3 May 2006 the meeting's chairman already followed the recommendation now contained in the Code that an ordinary general meeting should end after four to six hours at the latest. All the required reports and documents as well as the annual report were not only laid out and delivered to shareholders upon request, but also published on the Company's website together with the agenda. The Company makes it easier for shareholders to follow the Annual General Meeting by employing modern communication media. Furthermore, the Company nominated three voting right representatives who exercised shareholders' voting rights in accordance with instructions. These representatives were also available throughout the Annual General Meeting on 3 May 2006. The voting right representatives were able to receive authorisation and instruction by means of modern communication media.

Collaboration between the Management Board and Supervisory Board

Strict separation between independent leadership and management of a company as exercised by the Management Board on the one hand, and an independent control and advisory function exercised by the Supervisory Board on the other hand is compulsory for German public companies. The Management Board of LEONI AG consists of a total of three members. The number and also the composition of the Company's Supervisory Board are in line with requirements of the German Public Company Law as well as the German rules governing employee co-determination. The Supervisory Board of LEONI AG comprises a total of twelve members, of whom six are elected by the annual general meeting and six are elected by the Company's employees.

The Supervisory Board appoints the members of the Management Board. Both boards maintain a constant exchange of ideas about issues of key significance to LEONI and collaborate closely for the benefit of the Company. The Supervisory Board stipulated in rules of procedure for the Management Board that Management Board decisions of material significance to the Company require its approval. Furthermore, the Management Board kept the Supervisory Board informed on a regular, timely and comprehensive basis about all matters relevant to the Company. In particular, these included issues concerning planning, business performance, the risk situation and risk management. Documents required to take decisions were on each occasion made available to the Supervisory Board in good time before its meetings. No member of the Supervisory Board took part in fewer than half the Supervisory Board's meetings.

The Code in Section 3.8 paragraph 2 recommends upon an appropriate insurance excess when taking out Directors & Officers Liability Insurance (abbreviated D & O Insurance). The Company has D & O Insurance. However, no deductible was agreed in the past.

There are meanwhile, in the view of both the Management Board and the Supervisory Board, enough specific benchmarks for defining the term appropriateness. It was therefore now decided in future to agree upon suitable deductable in the policies signed with the D & O insurer.

The Supervisory Board formed a total of three committees, namely the audit, personnel and arbitration committees. In the period under report, the audit and personnel committees each held one meeting. The arbitration committee, whose duties are governed by the requirements of Article 31, section 3, sentence 1 of Germany's Co-determination Act, did not meet during the period under report. Along with their advisory role, each of the committees was also given decision-making powers.

In previous years, there was no special compensation for chairmanship, deputy chairmanship or membership of the committees. In fiscal 2006, the Supervisory Board decided to propose to that year's Annual General Meeting in future to compensate committee chairmanship with € 1,500.00 per financial year and to consider € 1,000.00 per financial year for membership of a committee. This is intended to conform to the recommendation in Section 5.4.7, paragraph 1, sentence 3 of the Code. The shareholders will be presented with a corresponding proposal to amend the Company's Articles of Association in the invitation to the Annual General Meeting on 3 May 2007.

The Company did not grant any loans to members of either the Management Board or the Supervisory Board, or to any of their dependants.

Directors' Dealings pursuant to Article 15a of the Securities Trading Act

The members of both the Management Board and the Supervisory Board as well as persons with certain management duties and parties related to them must, pursuant to the requirements of the Securities Trading Act, disclose their purchase and disposal of shares in LEONI AG and of financial instruments pertaining to them if the value of the transactions made within a calendar year reaches or exceeds the amount of € 5,000.00 per person.

LEONI AG has made public all the transactions reported to the company on its website at www.leoni.com under the heading of Investor Relations.

The following transactions were reported to LEONI AG during the period under report:

Date of transaction	Notifying party, function	Transaction to be disclosed and published	Place of transaction
10 February 2006	Ernst Thoma, Chairman of the Supervisory Board of LEONI AG	Sale of 10,000 no-par-value LEONI shares at an average price of € 28.03 per share Total volume: € 280,323.16	XETRA, Börse Frankfurt
29 March 2006	Horst Eduard Schmidmer, Member of the Supervisory Board of LEONI AG	Sale of 10,000 no-par-value LEONI shares at an average price of € 28.35 per share Total volume: € 283,530.00	XETRA, Börse Frankfurt
17 May 2006	Uwe H. Lamann, Member of the Management Board of LEONI AG	Purchase of 3,437 no-par-value LEONI shares at an average price of € 29.41 per share Total volume: € 101,102.79	XETRA, Börse Frankfurt
17 May 2006	Dieter Bellé, Member of the Management Board of LEONI AG	Purchase of 3,500 no-par-value LEONI shares at an average price of € 29.55 per share Total volume: € 103,425.00	XETRA, Börse Frankfurt
17 May 2006	Dr Klaus Probst, Chairman of the Management Board of LEONI AG	Purchase of 3,500 no-par-value LEONI shares at an average price of € 29.48 per share Total volume: € 103,185.00	XETRA, Börse Frankfurt
17 July 2006	Annemarie Thoma, Individual closely related to a member of the Supervisory Board	Sale of 4,916 no-par-value LEONI shares at an average price of € 28.30 per share Total volume: € 139,122.80	XETRA, Börse Frankfurt
26 October 2006	Dr Werner Rupp, Member of the Supervisory Board of LEONI AG	Sale of 6,000 no-par-value LEONI shares at an average price of € 29.81 per share Total volume: € 178,860.00	XETRA, Börse Frankfurt
02 November 2006	Dr Werner Rupp, Member of the Supervisory Board of LEONI AG	Sale of 3,000 no-par-value LEONI shares at an average price of € 31.27 per share Total volume: € 93,810.00	XETRA, Börse Frankfurt
14 November 2006	Ernst Thoma, Chairman of the Supervisory Board of LEONI AG	Sale of 200 no-par-value LEONI shares at an average price of € 32.25 per share Total volume: € 6,450.00	XETRA, Börse Frankfurt
15 November 2006	Ernst Thoma, Chairman of the Supervisory Board of LEONI AG	Sale of 4,800 no-par-value LEONI shares at an average price of € 32.25 per share Total volume: € 154,800.00	XETRA, Börse Frankfurt
15 December 2006	Dr Werner Rupp, Member of the Supervisory Board of LEONI AG	Sale of 3,000 no-par-value LEONI shares at an average price of € 33.00 per share Total volume: € 99,000.00	XETRA, Börse Frankfurt

Efficiency audit

The Supervisory Board audits the efficiency of its activity on a regular basis. During the period under report, this self-evaluation was carried out, along with other means, on the basis of a questionnaire specially adapted to the concerns of the Company. There was discussion of options for improvements particularly during the meeting on 27 July 2006. The Supervisory Board also included the existing rules of produce for both the committee and the Management Board in its efficiency audit.

Transparency

The Company in each instance reports in a timely and comprehensive fashion on current developments in the Group. Use of modern communication media, especially of the internet, is given high priority in doing so. Both ad-hoc announcements on insider information and press releases are made available on the Company's website. The website also provides shareholders with news on all the Company's other current business developments in both German and English language. A fiscal calendar is also published. It contains – with ample notice in each instance – the release dates for regularly published reports (e.g. annual and interim reports) as well as key dates for events such as the Annual General Meeting. Following the release of the interim reports, the Management Board explains the content of each report to analysts and journalists in conference calls, and answers questions in this regard. A recording of the presentation part of these conference calls was subsequently posted on the Company's website for a limited time.

In dealing with risk, the Management Board and Supervisory Board act in accordance with good corporate governance to safeguard the Company's interests at all times with the imperative high awareness of responsibility. Particularly in their meeting on 21 March 2006, the Management Board and Supervisory Board scrutinised the existing risk management and discussed in depth the risks to which the Company is exposed.

The chairman of the Supervisory Board informed the Annual General Meeting on 3 May 2006 about the basic principles of the system for compensating the Management Board and Supervisory Board. The basic principles of this system are also described in detail in the annual report, which can be accessed via the Company's website.

The membership of the Supervisory Board will be newly elected in 2007. Nominations for election of the shareholder representatives were carefully chosen to ensure that the Supervisory Board at all times has members who have the required knowledge, capabilities and professional experience to properly perform their duties. The international activity of the LEONI Group, potential conflicts of interest and the existing age limit were also taken into account.

Shareholdings

The members of LEONI AG's Management and Supervisory Boards together on 31 December 2006 held more than one percent of the shares issued by LEONI AG. These holdings break down as follows:

Shareholdings	Number of shares 12/31/2006	Percentage of share capital
Supervisory Board members and related parties	389,769	1.31
Management Board members and related parties	29,607	0.10
Supervisory Board and Management Board, total	**419,376**	**1.41**

Accounting and audit

The Annual General Meeting chose Ernst & Young AG of Stuttgart as auditors for both the 2005 and 2006 financial years. Prior to presenting the nomination, Ernst & Young advised the audit committee by issuing a declaration on whether and which business, financial, personal and other relations exist between Ernst & Young and its bodies as well as chief auditors on the one hand and the Company as well as members of its bodies on the other hand that might give cause to doubt the independence of the auditors. The declaration also covers the extent to which, in the preceding financial year, other services for the Company, especially in the consulting sector, were either provided or contractually agreed for the subsequent year. Finally, the Supervisory Board agreed with Ernst & Young that the chairman of the Supervisory Board and the chairman of the audit committee should be advised immediately of any reasons for disqualification and conflict of interest so far as such reasons cannot be eliminated forthwith. The audit committee found during its meeting on 13 March 2007 that there are no doubts as to the independence of the auditors.

The consolidated financial statements for the Company including its group subsidiaries are prepared pursuant to the International Financial Reporting Standards (IFRS) as last adopted by the International Accounting Standards Board (IASB).

During its meeting on 13 March 2007, the audit committee in the presence of the auditors discussed the financial statements as well as the consolidated financial statements. The Management Board also participated in this meeting. The auditors reported on the key findings of their audit at the meeting.

Declaration of Conformity of LEONI AG's Management Board and Supervisory Board in 2006 on the recommendations of the "Government Commission on the German Corporate Governance Code in the version of 2 June 2005 and of 12 June 2006" pursuant to Article 161 of the Public Companies Act (AktG)

The Management Board and Supervisory Board of LEONI AG in their meeting of 7 December 2006 approved the following Declaration of Conformity pursuant to Article 161 of the German Public Companies Act:

I. The Management Board and Supervisory Board declared in their meetings from December 2005 up to and including 23 July 2006 that they conformed to the recommendations valid until that date of the "Government Commission on the German Corporate Governance Code" in its version of 2 June 2005, on each occasion except in the cases below.

1. In Section 3.8 paragraph 2, the Code recommends to agree upon an appropriate insurance excess when taking out Directors & Officers Insurance (abbreviated D & O Insurance). The Management Board and Supervisory Board declare that with the current D & O Insurance no excess has been agreed upon for the persons insured.
2. According to Section 4.2.4 of the Code, second sentence together with the first sentence, the compensation of members of the Management Board should be reported in the notes to the consolidated financial statements on an individualised basis. The Management Board and the Supervisory Board declare that in the notes to the 2005 consolidated financial statements the compensation of members of the Management Board was not reported on an individualised basis.
3. The Code recommends in Section 5.4.7, paragraph 1, third sentence that the members of the Supervisory Board receive separate compensation for the chairmanship and membership of Supervisory Board committees. The Management Board and Supervisory Board declare that neither a chairmanship nor a membership in Supervisory Board committees is considered in the compensation of the members of the Supervisory Board.
4. Among other things, the Code recommends in Section 5.4.7 paragraph 3 that compensation of the Supervisory Board members and payments made to them for services performed personally by them or benefits granted should in each case be presented in individualised form and disclosed separately in the corporate governance report and the notes to the consolidated financial statements. The Management and Supervisory Boards declare that neither compensation of the Supervisory Board members nor payment for services performed personally or benefits granted were reported in individualised form in either the corporate governance report or the notes to the 2005 consolidated financial statements.

II. Furthermore, the Management Board and Supervisory Board declare that, from 24 July 2006, they have been conforming to the recommendations valid from that date of the "Government Commission on the German Corporate Governance Code" in its version of 12 June 2006, with the exceptions set out under sections I.1. and I.3. above.

III. The Management Board and Supervisory Board of LEONI AG also declare that in future they intend to fully conform without exception to all the recommendations of the "Government Commission on the German Corporate Governance Code" in its version of 12 June 2006.

Dr-Ing. Klaus Probst
Chairman of the Management Board

Ernst Thoma
Chairman of the Supervisory Board

Compensation report

Compensation of the Management Board

The total compensation of the members of the Management Board must, according to legal requirements, include the monetary compensation, retirement benefits, other benefits, especially in the event of termination of employment, ancillary benefits of all kinds and benefits from third parties that were agreed with respect to Management Board activity or granted during the financial year. Furthermore, Section 4.2.3, paragraph 2 of the Code stipulates that the monetary compensation should include both fixed and variable components.

The compensation of the Management Board of LEONI AG comprises a fixed annual salary and a performance-related short-term component (profit share) measured against net income as well as a long-term component with risk character (bonus). The basis for measuring this bonus is the economic value added (EVA) and the market performance of the LEONI AG share. The amount paid out annually has an upper limit; amounts exceeding this limit are carried forward the next year and are realised depending on the management's performance. The amounts carried forward expire upon the departure of a Management Board member. 50 percent of the bonus must be invested in LEONI shares, which are blocked for at least 50 months, within 20 days of being paid.

The Code also recommends that the compensation of the members of the Management Board be reported in individualised form in the notes to the consolidated financial statements.

Complete listing of the individualised compensation of the Management Board members is to be found on page 99 in the notes. This also includes specific disclosures about the Company's securities-oriented incentive systems. There are no share option schemes at LEONI.

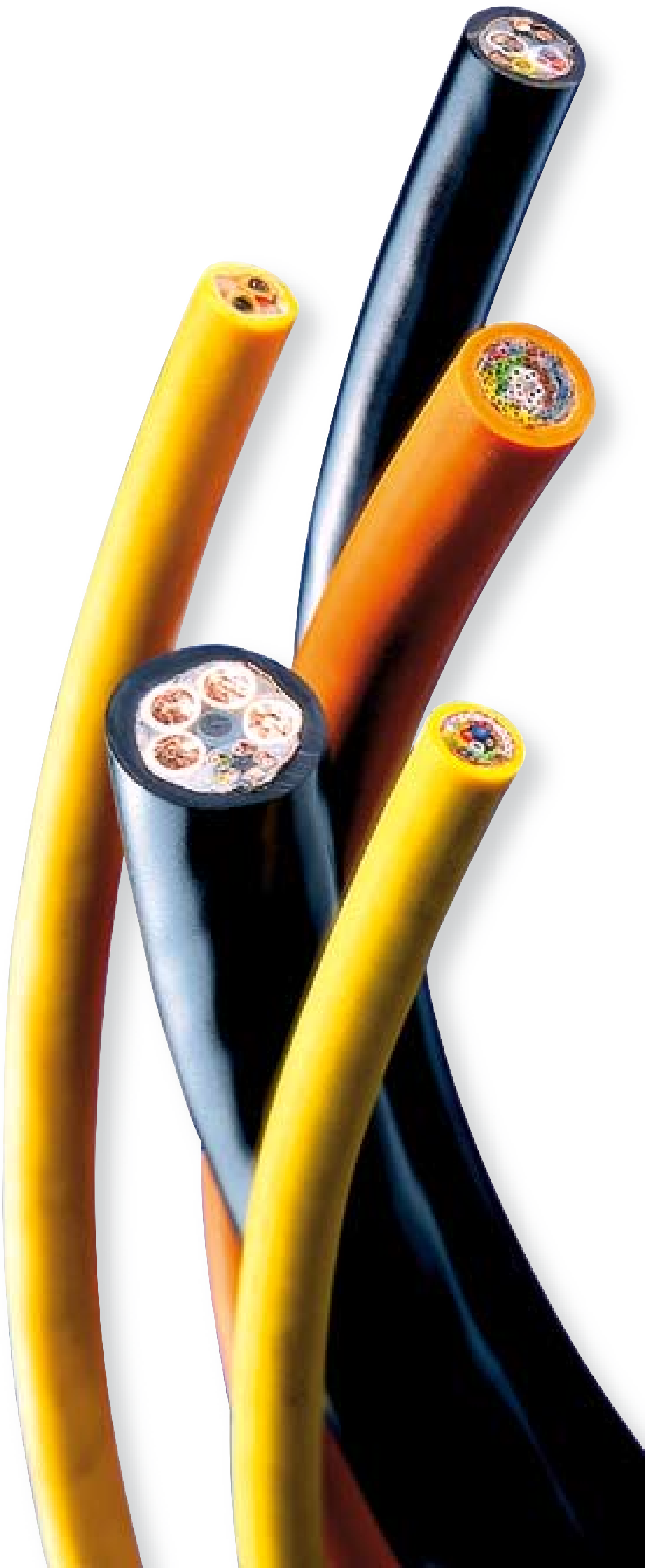
Compensation of the Supervisory Board

According to the recommendations of the Code, compensation of the Supervisory Board members and payments made to them for services performed personally by them or benefits granted must in each case be presented in individualised form and disclosed separately in the corporate governance report and the notes to the consolidated financial statements. The Management and Supervisory Boards stated in their current Corporate Governance Declaration of December 2006 that neither compensation of the Supervisory Board members nor payment for services performed personally or benefits granted were reported in individualised form in either the corporate governance report or the notes to the 2005 consolidated financial statements. It has, by contrast, now been decided to also fully conform to this recommendation in the 2006 annual report.

The compensation of the members of the Supervisory Board in the period under report breaks down as follows:

Supervisory Board in €'000		**Fixed compensation**	**Profit share**	**Other**	**Total**
Ernst Thoma	2006	70	127	—	197
	2005	70	97	—	167
Gerhard Stechhammer [1]	2006	39	71	—	111
	2005	53	73	—	125
Franz Spieß [2]	2006	10	23	—	33
	2005	0	0	—	0
Dr Werner Rupp [3]	2006	53	95	—	148
	2005	53	73	—	125
Gabriele Bauer	2006	35	64	—	99
	2005	35	49	—	84
Frank Becker	2006	35	64	—	99
	2005	35	49	—	84
Dr Jürgen Behrend	2006	35	64	—	99
	2005	35	49	—	84
Paula Englhard	2006	35	64	—	99
	2005	35	49	—	84
Gerhard Heßlinger	2006	35	64	—	99
	2005	35	49	—	84
Hans-Werner Jacob	2006	35	64	—	99
	2005	35	49	—	84
Werner Marnette	2006	35	64	—	99
	2005	35	49	—	84
Hans Peuschel	2006	35	64	—	99
	2005	35	49	—	84
Horst Schmidmer	2006	35	64	—	99
	2005	35	49	—	84
Total	**2006**	**487**	**891**	**—**	**1,378**
	2005	**490**	**680**	**—**	**1,170**

[1] 1st Deputy Chairman of the Supervisory Board until 30 September 2006
[2] Member of the Supervisory Board since 4 October 2006,
1st Deputy Chairman of the Supervisory Board from 7 December 2006 on
[3] 2nd Deputy Chairman of the Supervisory Board



Studer Draht- und Kabelwerk AG

Cross-linked cables

LEONI HighTemp Solutions GmbH

High temperature cables

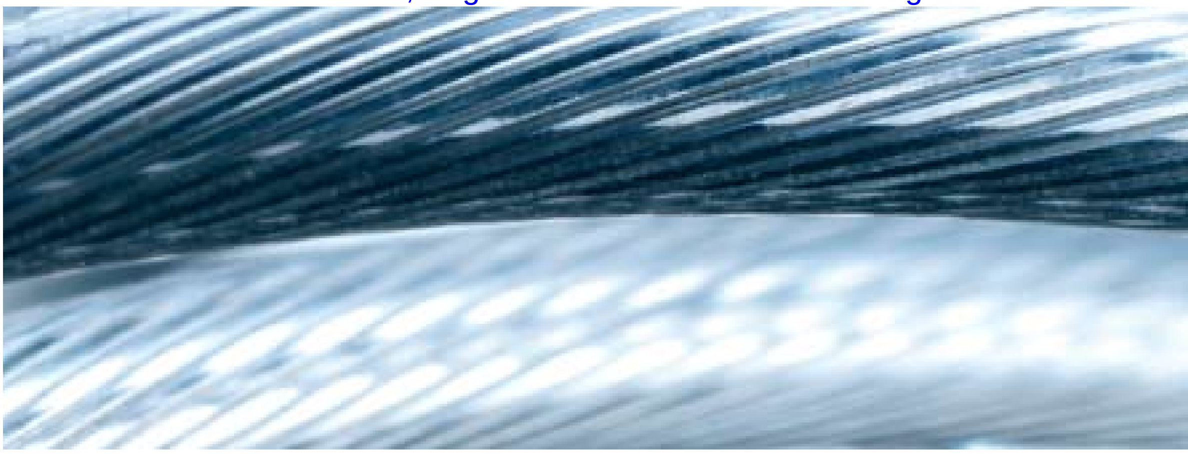
The LEONI Share

*) heat resistant

Hot conditions as occur for instance in the engine compartment of a car, in heating systems or near smelting furnaces call for very special cables with high quality, temperature resistant insulation to supply power or for control, measurement and regulating purposes.

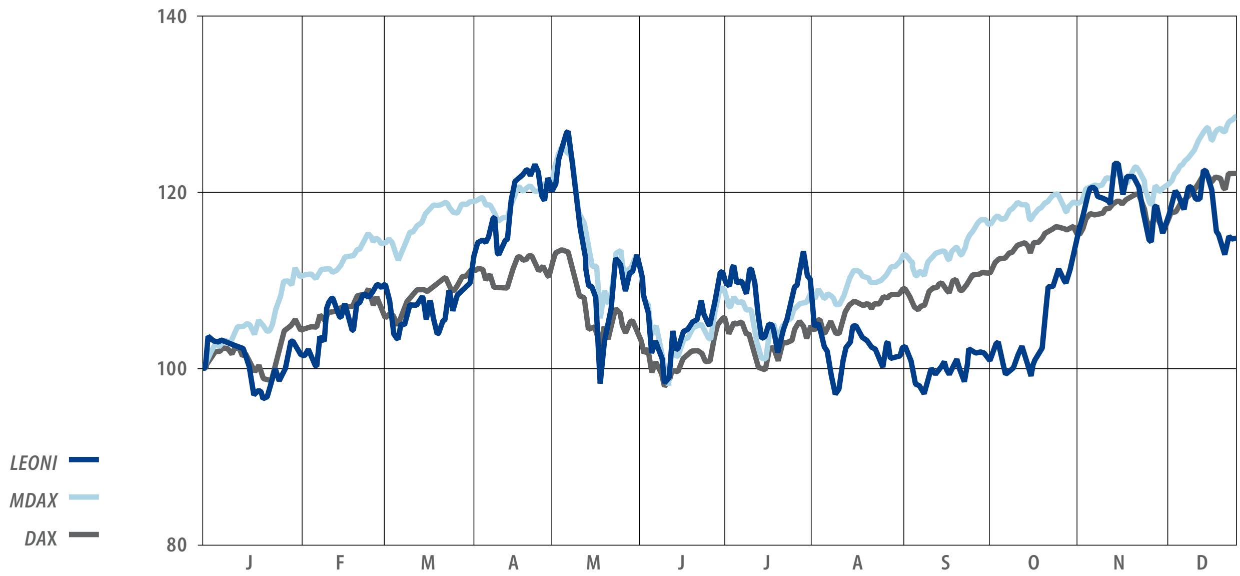
Processing such insulation materials requires special know-how and equipment. LEONI has, fully in line with its strategy of occupying promising niche markets, positioned itself especially well particularly in this segment.

LEONI HighTemp Solutions, a new production facility located in the town of Halver in North-Rhine Westphalia, is being set up to meet precisely these requirements and it will also create new jobs in Germany. With Studer, its new Swiss subsidiary, LEONI also has irradiation cross-linking technology, which is used to toughen up cables insulated with conventional polymers for high operating temperatures.

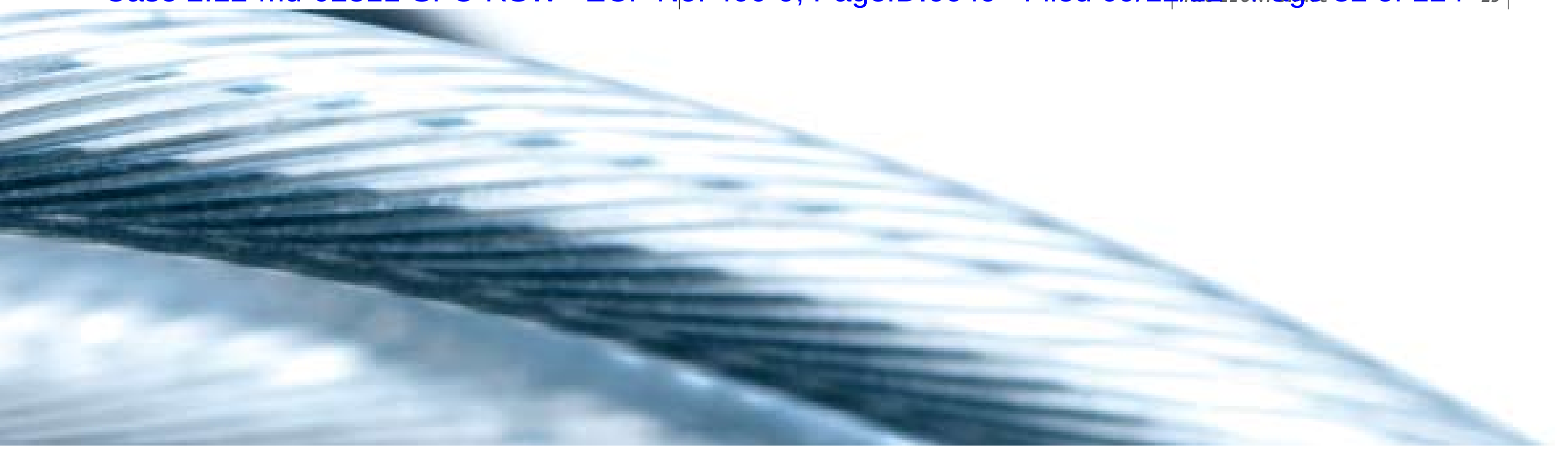


The LEONI Share

Share price performance (Indexed 30 December 2005)



- **LEONI share makes 15 percent gain in 2006**
- **New high at € 34.20**
- **Year-end closing price of € 30.92**
- **Dividend rises to € 0.80**
- **Free float increased from 80 percent to 100 percent**



First listed on	1 January 1923
Ticker symbol	LEO
ISIN	DE0005408884
WKN	DE540888
Class of shares	Ordinary bearer shares with no-par-value
Market segment	Prime Standard
Indices	MDAX, HDAX, CDAX, BayX30
Share capital	€ 29.7 million
Number of shares	29.7 million pcs.

The 2006 stock market year

The international stock markets continued their upside move in 2006, in some cases with considerable gains, even though inflation and interest rate fears temporarily exerted heavy selling pressure in May. During this correction, the gains made until then were initially wiped out entirely again within the space of just a few weeks. However, starting in June, significantly better economic data triggered an upswing in sentiment. Particularly the robust growth in the global economy as well as the strong earnings momentum of market-listed companies caused willingness to buy and thus share prices to climb above the levels reached at the end of 2005. This good performance underscored in impressive fashion the medium-term uptrend that has prevailed on the key markets since early 2003.

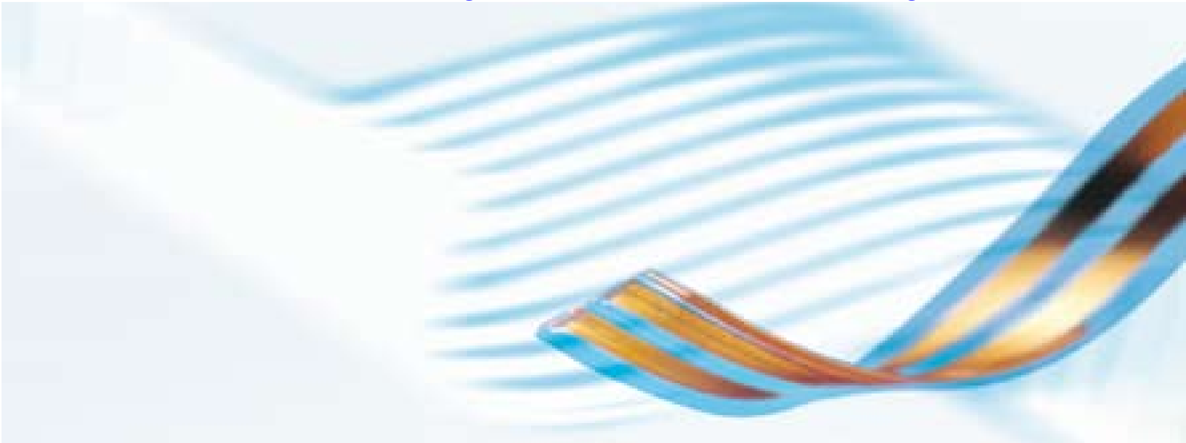
This also applied to the German stock market, which still traded at comparatively low multiples on an international scale. The benchmark DAX index appreciated by another 22 percent during the year, thus bestowing investors with gains for the fourth year in succession. At a close of 6,597 points, the index reached its highest level since February 2001.

The MDAX mid-cap index also sustained its dynamic upside move in 2006 with a 29 percent rise and set a new record level at a close of 9,405 points.

LEONI share makes gains

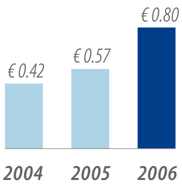
Underpinned by the uptrend in the overall market and unabatedly good business performance, the LEONI share also started the new trading year with strong gains. Ahead of the release of the figures for the first quarter of 2006, the share rose to an all-time high of € 34.20. Thereafter LEONI's share dipped significantly in line with the general correction in the market. The exit of major shareholder Groga, which in May placed its nearly 20 percent holding among institutional investors, temporarily accelerated the downside move. The price thus dropped to € 26 before stabilising at the end of May. The share subsequently traded sideways in a range between € 26 and € 29. The successful placement of LEONI's corporate bond issue and the Company's announcement that it would acquire Studer, the Swiss cable specialist, triggered brief interim highs. On the other hand, the release of the solid six-month figures, accompanied by a slight increase in sales and earnings forecasts for the year as a whole, prompted moderate profit-taking.

The period of consolidation in LEONI's share price ended with the release of the nine-month figures in early November, to which the market responded very favourably. All the relevant target figures were at the upper end of expectations. LEONI also announced new large-scale orders in the Wiring Systems division. This factor and affirmation of the strategy involving pro-active tapping of further areas of business triggered extensive share pur-



chases that caused the price to rise above € 33 within a brief space of time. Trading settled down again somewhat towards year-end. The 2006 closing price was € 30.90, corresponding to an increase of about 15 percent versus the same date one year earlier.

Dividend over time



Dividend up

It is a key objective of LEONI AG that shareholders should participate in the Company's success. Based on the earnings improvement in 2006, the Management Board and Supervisory Board will therefore propose to the Annual General Meeting on 3 May 2007 to increase the dividend for the past year by about 40 percent to € 0.80 per share (from the previous year's € 0.57). This corresponds to a total dividend of € 23.76 million and a payout ratio of about 30 percent of net income.

Analysts overwhelmingly assess LEONI favourably

Key valuation multiples have also improved further due to the successful operating performance in the 2006 financial year. Net income per share, for instance, was up from € 1.89 to € 2.64. Such solid figures as well as the favourable medium-term prospects exerted a positive effect on the capital market's assessment of the LEONI Group. The vast majority of analysts continued to give the share a buy rating. LEONI has for years been on the watch list of the most significant investment houses. In the past year, 20 analysts reported regularly on the Company's performance.

High standard of investor relations work maintained

Pro-active capital market communication makes a crucial contribution to such comprehensive coverage of LEONI AG by investment professionals. Particularly the open and personal dialogue that the Company maintains with analysts, investors, private shareholders as well as the financial and business media is generally very well received. This important task is to a large extent performed by the Management Board itself, which again in 2006 represented LEONI at numerous international roadshows as well as at high-calibre investor conferences.

In addition, the investor relations team supporting the Management Board provided timely statements on all share-relevant information by means of ad-hoc announcements as well as other publications such as press releases, annual and interim reports. These comprehensive and meaningful documents ensure a consistently high degree of transparency. Releases of quarterly figures were on each occasion complemented by a conference call. During these events, LEONI's Management Board commented on the principal facts and was available to analysts to answer further questions. Journalists were invited to the balance sheet press conference to present the financial statements.

LEONI has over the past few years repeatedly been commended for the high quality of its capital market communication. Again in 2006, LEONI took one of the top places in the evaluation of the "Best Investor Relations in Germany" (BIRD).

Liquidity of LEONI shares increased

LEONI's former major shareholder – Groga Beteiligungsgesellschaft mbH – in May 2006 sold its entire holding of 19.9 percent of the share capital. This increased the free float from 80 percent to 100 percent. As part of this transaction, Nürnberger Versicherungsgruppe, which together with the automotive component supplier Hella KGaA Hueck & Co. was owner of Groga, acquired a three

percent holding and thus became a direct holder of shares in LEONI. LEONI continues to operate the Intedis joint venture, which develops wiring systems, together with Hella.

LEONI shares were held by a total of about 25,000 shareholders at the end of the year. Institutional investors comprised the largest group among these shareholders. The aforementioned increase in the free float contributed to a further rise in the volume of LEONI shares traded. A total of about 36.7 million shares changed hands in 2006 as opposed to 29.1 million in the previous year, equating to an increase of about 26 percent. Daily trading volume amounted to about 144,000 shares (up from 113,000 in the previous year).

Shareholder service

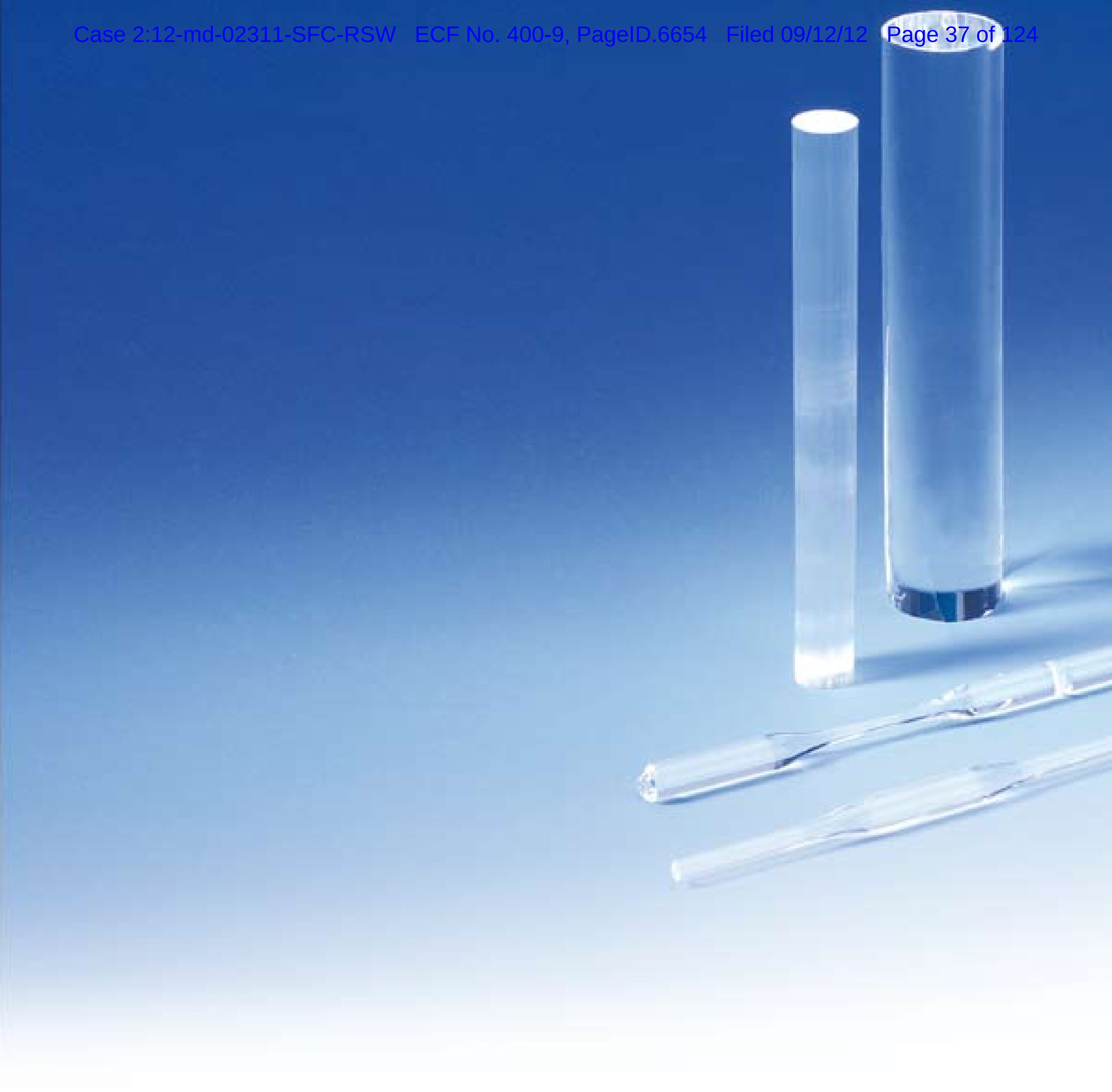
LEONI provides interested investors with comprehensive information about the Company and its share on the internet at www.leoni.com. In addition to the latest news, the site provides fiscal reports, share information as well as the fiscal calendar.

LEONI Share key figures

Per share in €	**2006**	2005	2004
Group net income	**2.64**	1.89	1.12
Dividend	**0.80** [1]	0.57	0.42
Equity	**16.22**	14.38	12.29
High of the year [2]	**34.20**	28.73	18.65
Low of the year [2]	**26.00**	17.03	13.87
Closing price [2]	**30.92**	26.93	16.67

Market capitalisation 12/31 in € million	**918**	800	495
Average sales per day (No. of shares)	**143,828**	113,069	97,185

[1] If approved by the annual general meeting
[2] Xetra-Closing price of the day



NBG Fiber-Optic GmbH
Optical solutions for Fiber-to-the Home
j-fiber GmbH
Optical fibers and preforms

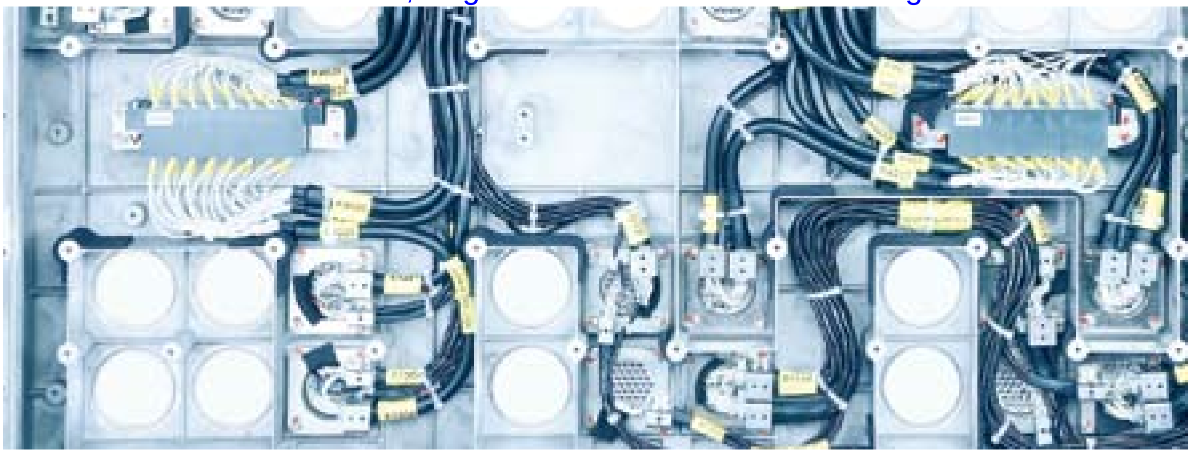
Group Management Report

*) crystal clear

Crystal clear: Glass is the data transmission medium of the future – fast, trouble-free, bug proof and high capacity. Fiber optic cables with wafer-thin glass fibers are now increasingly being laid through to private households. Telephone, television, radio and the internet via one cable – that is the goal.

In the past few years, LEONI has strengthened its position in a targeted way in this technically demanding area towards being supplier of systems, equally covering commercial, public sector and private users as well as applications beyond data transmission.

In 2005, for instance, LEONI took over the fiber business of Prinz Optics in Stromberg, which makes glass fibers mainly for spectroscopy and endoscopy devices. The expertise of and services offered by new subsidiaries NBG Fiber Optic and j-fiber round off the range of products and services. LEONI can now offer its customers everything from a single source, from the fiber through to ready-to-operate cable systems.



Group Management Report

- **LEONI hits new highs in 2006**
- **Consolidated sales up 36 percent to € 2.1 billion**
- **Net income grows by 41 percent to € 79.3 million**
- **Strategically important acquisitions in the Wire & Cable division**
- **Extensive new orders for the Wiring Systems division**
- **Prospects remain favourable**

Business and underlying conditions

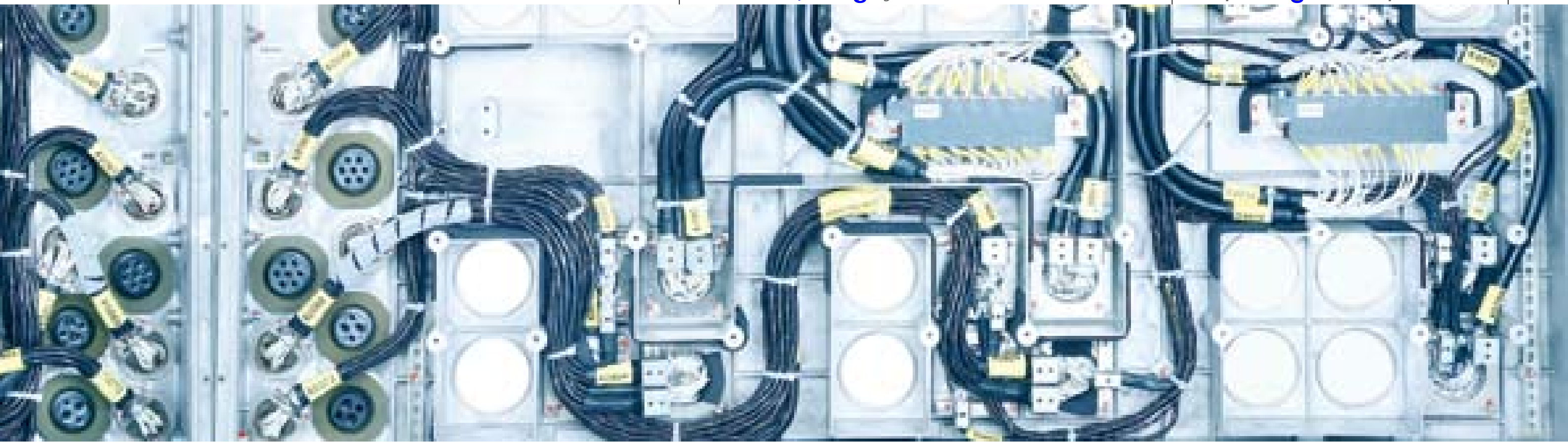
Business basis and group structure

LEONI is a global supplier of wires, cables and wiring systems as well as a provider of related development services. Manufacture of these product groups constitutes an ascending value chain that provides valuable synergies: wires and strands of copper and copper alloys are processed into insulated conductors and cables, which in turn are used to make cable and wiring systems. This special combination gives LEONI a key competitive advantage.

The Group is structured according to the different product groups: Under the umbrella of Nuremberg-based LEONI AG acting as the holding company, operations break down into the **Wire & Cable** as well as **Wiring Systems** divisions. LEONI operates from about 70 facilities in 28 different countries. The Company has production facilities, distribution and development centres in Europe as well as in Asia, Africa and the Americas. These are also LEONI's sales regions. The companies belonging to the LEONI Group are listed in the Notes.

Markets

The international motor vehicle industry is LEONI's most important customer sector. Along with manufacturers of passenger cars, trucks and other commercial vehicles, this also includes component suppliers. These comprise on the one hand producers of vehicle components and, on the other hand, manufacturers of production equipment. In addition, LEONI supplies cable products to the electrical appliance, IT and telecommunications industries, the medical equipment as well as capital goods industries. Major buyers of wires and strands include component manufacturers and the cable industry itself.



Strategy

The overarching objective of LEONI AG is to increase its enterprise value on a sustained basis, to which end the Company pursues an earnings-oriented growth strategy. LEONI AG sets the strategic guidelines for the whole group. The parent company thus exerts material influence on its subsidiaries.

The **Wiring Systems** division aims to achieve mainly organic growth to strengthen its position as one of Europe's largest suppliers of wiring systems and to extend it globally. The basis for this is gaining new customers as well as further projects involving existing customers. In addition, however, potential acquisitions are also studied on a case-by-case basis.

Competitive edge is derived on the one hand from a recognised high standard of technological expertise, power of innovation, adherence to quality standards and delivery schedules, and on the other hand from the targeted cost leadership. Alongside the passenger car industry, the Company is increasingly also working for the commercial vehicle and global component supply industries. In regional terms, the Wiring Systems division is expanding mainly in Asia and the Americas.

The **Wire & Cable** division is, along with organic growth, focused more on acquisitions as well. The objective is to enter new markets or to better tap existing, promising niche markets. This comprises, among others, specialist areas in the communications and capital goods industries, the aviation and space industry, automation, medical and marine technology as well as the market for infrastructure applications. This puts the LEONI Group as a whole on a broader base and reduces its exposure to the cyclical fluctuation in the automotive industry. In 2006, the proportion of business that the LEONI generated worldwide from sales to the automotive sector contracted from more than 75 percent to about 68 percent.

Moreover, the Wire & Cable division intends to systematically extend its depth of value added in these growth markets, enabling it increasingly to be seen as a systems provider or a one-stop shop and to cover all the key stages from materials through to process technology itself.

Competitive position

LEONI is today, by its own estimates, world market leader in automotive cables as well as one of the major suppliers of custom-made special cable solutions for a wide range of different industrial applications. The Company's technological know-how and high power of innovation constitute key competitive advantages. For the motor vehicle industry, moreover, it is also important that LEONI already operates its own production facilities in the three major regions of Europe, Asia and the Americas. LEONI also commands a leading position in the market comprising fine wires and strands for the cable industry as well as copper flexibles for electric components. By acquiring the Kerpen Group, LEONI also became Germany's leading provider of cables and cabling systems for data transmission. LEONI estimates that, with its Fiber Optics unit, it is one of the two largest producers of fibers for data networks in Europe.

Management system and management board

The group of companies is managed centrally by LEONI AG. A major tool in this respect involves key benchmark figures, adherence to which LEONI AG monitors continually. Sales, EBIT (earnings before interest and taxes), free cash flow and ROCE (return on capital employed) have been specified as key benchmark figures for management purposes. As set out in the section headed "LEONI – Over-

view of business performance", the Company succeeded in fiscal 2006 in at least meeting, and in some cases exceeding, all principal targets.

The Management Board of LEONI AG is in charge of running the LEONI Group. It consists of three members who are appointed by the Supervisory Board. The compensation of the Management Board comprises a fixed annual salary and a performance-related short-term component (profit share) measured against net income as well as a long-term component with risk character (bonus). This bonus is measured by economic value added (EVA) and the market performance of the LEONI AG share. Upon retirement, Management Board members receive about 50 percent of the component that is not performance-related. The compensation of each member of the Management Board for the 2006 financial year is shown under Note [31].

Underlying economic conditions

Favourable macroeconomic setting

Despite the dampening effect of increased raw material prices and the general level of interest rates, the global economy continued on an upward trajectory in 2006. According to estimates of the leading German economic research institutes, global gross domestic product (GDP) grew by 3.7 percent in real terms. Among the industrialised countries, the United States formed a key mainstay with a 3.5 percent growth rate, even though the economy in that country did lose some momentum during the year. Among the emerging countries China again stood out with 10.7 percent growth. Yet Russia, East Asia and Latin America also recorded significant gains.

The European Union outperformed expectations with 2.8 percent GDP growth. With 2.7 percent growth, the German economy made a major contribution to this trend. Along with still strong exports, domestic demand also picked up substantially in this market.

Sector-specific trends

The global uptrend in 2006 was also perceptible in LEONI's major customer industries. For instance, the German Association of the Automotive Industry (VDA) estimates that German carmakers generated seven percent sales growth in 2006, hitting a new record level of output with 5.4 million passenger cars. The sector enjoyed sustained strong demand for high-end models from both Germany and export markets. In addition, there was the bringing-forward effect in Germany of the impending increase in value added tax. The commercial vehicle industry, which was able to increase its output by three percent, also recorded new highs.

The German Electrical and Electronic Manufacturers' Association (ZVEI) is likewise looking back on a successful year. Based on preliminary calculations, this sector's total sales in Germany rose by more than six percent in 2006. The power engineering and automation segments expanded at an especially strong pace, but the manufacturers also registered greater demand for household appliances and consumer electronics. The cyclical business involving electronic components was the only one to show weakness in 2006.

The IT and telecommunications sector generated a small increase in 2006. Underpinned by information technology, the sector gained about 2.5 percent according to the German Association for Information Technology, Telecommunications and New Media (BITKOM). The German engineering sector recorded strong demand from both the domestic and export markets: its federation (the VDMA) reported an increase in output of about seven percent for 2006 and thus the third year of growth in succession. The aviation and space industry also grew against the backdrop of the expanding economy. Due to the increasing volume transported by rail, the railway industry also registered rising order receipts. Based on

information from within the sector and driven by strong exports, sales in the medical equipment sector increased by eleven percent.

LEONI – Overview of business performance in 2006

LEONI expanded strongly in the past financial year and succeeded in either meeting or even topping its set targets. Against the backdrop of the favourable underlying economic conditions, consolidated external sales in 2006 were up by just over 36 percent to € 2,108.2 million. Organic growth accounted for about 28 percent of this increase, with acquisitions of subsidiary companies as well as the significantly higher price of copper each accounting for 36 percent. LEONI had projected a sales rise to between € 1.9 and 2.0 billion.

Exchange rate fluctuation, on the other hand, did not exert any noteworthy effect on consolidated sales in the period under report – with the figure after adjusting for this factor having risen by 35.9 percent to € 2,104.1 million.

Both of the Company's business divisions drove the growth in consolidated sales during the period under report. The Wiring Systems division exceeded its high level of the previous year by another 9 percent and generated business volume of € 954.2 million, which equated to about 45 percent of the consolidated figure (57 percent in the previous year). Driven by good operating business and helped by the acquired businesses, the Wire & Cable division generated a strong increase of nearly 73 percent to € 1,154.0 million. This division thus accounted for nearly 55 percent of consolidated sales (43 percent in the previous year).

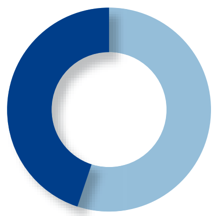
In regional terms, LEONI broadened its business base both in Germany and abroad. In Germany, sales were up 24 percent to € 868.0 million. Business generated in the rest of the EU increased by 34 percent to € 678.0 million. Outside the EU, LEONI recorded sales of € 562.3 million, 65 percent more than one year earlier.

The trend of earnings was also very positive: Consolidated earnings before interest and taxes (EBIT) were up by nearly 27 percent to € 130.2 million and thus came to the top end of the forecast range of between € 125 and 130 million. Net income increased by about 41 percent to € 79.3 million, with this figure including a corporate tax credit amounting € 4.8 million. Without this credit net income would have come to € 74.5 million and thus within the most recently projected target range of between € 72 and 75 million. LEONI also exceeded the forecast level with respect to free cash flow before acquisitions and the dividend, which amounted to € 61.5 million (€ 51 million in the previous year). The return on capital employed (ROCE) came to 18.8 percent (17.3 percent in the previous year) and therefore exceeded the 18 percent target.

Group key figures	*2006*	*2005*	*Change*
Group external sales	*€ 2,108.2 million*	*€ 1,548.0 million*	*36.2 %*
EBIT	*€ 130.2 million*	*€ 102.8 million*	*26.7 %*
EBIT/external sales	*6.2 %*	*6.6 %*	*—*
Net income	*€ 79.3 million*	*€ 56.1 million*	*41.4 %*
Free cash flow [1]	*€ 61.5 million*	*€ 51.0 million*	*20.6 %*
Return on capital employed	*18.8 %*	*17.3%*	*—*
Investment in property, plant and equipment as well as intangible assets	*€ 83.7 million*	*€ 65.0 million*	*28.8 %*
Acquisitions and investments	*€ 111.1 million*	*€ 22.0 million*	*405.0 %*
Employees (as at 31/12)	*35,129*	*32,638*	*7.6 %*

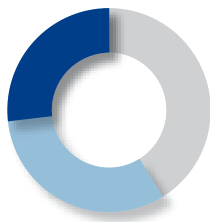
[1] Free cash flow before acquisitions, investments and dividend, incl. interest payments

Sales by business division



- *Wiring Systems 45 %*
- *Wire & Cable 55 %*

Sales by region



- *Germany 41 %*
- *EU (without Germany) 32 %*
- *Non EU countries 27 %*

Reports by division

Wiring Systems division

Key figures Wiring Systems	2006	2005	Change
Group external sales	€ 954.2 million	€ 879.4 million	8.5 %
EBIT	€ 61.8 million	€ 61.4 million	0.7 %
EBIT/external sales	6.5 %	7.0 %	—
Capital expenditure *	€ 33.1 million	€ 40.5 million	(18.3) %
Employees (as at 31/12)	27,199	25,729	5.7 %

* Capital expenditure on property, plant and equipment as well as intangible assets

Product range and markets

The Wiring Systems division is engaged primarily in manufacturing pre-assembled, ready-to-install wiring systems and cable harnesses for passenger cars and commercial vehicles. A wiring system comprises all the wiring in a vehicle, which also integrates components such as mounting and sealing parts, cable channels, fuse boxes, power distributors and electronic control systems. LEONI is stepping up its business involving such components to extend the depth of value added. The term cable harness, by contrasts, describes the wiring of individual vehicle components, such as the engine, dashboard, doors and seats.

Along with the car industry and makers of trucks, buses, forklifts, construction machinery and special vehicles, component suppliers are among the major customers. In particular, these include makers of engines, safety and exhaust emission systems as well as other components (e.g. seats, air conditioners, mirrors and sunroofs).

Business performance

The Wiring Systems division benefited in 2006 from the good order situation in the automotive industry and in the period under report and increased its external sales by nearly nine percent to € 954.2 million. The key factors were a larger volume of sales and the trend towards highly equipped premium-segment cars, which require more complex wiring systems. The additional sales and the correspondingly good capacity utilisation resulted, despite the persisting pressure on prices, in a slightly improved earnings situation: earnings before interest and taxes (EBIT) rose from € 61.4 million to € 61.8 million. This includes expenses amounting to € 11.1 million for restructuring at various facilities in Germany and abroad.

In the period under report, the Wiring Systems division spent € 33.1 million (€ 40.5 million in the previous year) on property, plant and equipment as well as intangible assets. The focus was on setting up new production facilities and expanding existing ones to handle the growing volume of business and to provide the capacity to execute new orders. This is also why the division recruited additional staff in the period under report, boosting the number of employees on 31 December by 1,470 year on year to a total of 27,199 people.

Major projects in the automotive industry

Wiring systems and cable harnesses for customers BMW, DaimlerChrysler, General Motors and Ford were among the mainstays of sales in 2006. These projects, launched in the preceding years, formed the basis for full utilisation of LEONI Wiring Systems' capacity. The large majority of these orders have already reached peak output. LEONI recorded increased sales especially for the Opel Astra and Zafira models, Mercedes A-Class, BMW 3 Series and for Bentley. Deliveries to Ford also increased further. The UK facility in Newcastle-under-Lyme was realigned as a Competence Center for these customers to provide all the British brands belonging to Ford with sharply focused service – including, along with Land Rover, also Jaguar and Aston Martin. Furthermore, the go-ahead was also given in 2006 for series production of cable harnesses for the BMW X5, which is made in the USA. A third production shop was added to the production facility in Hermosillo, Mexico for

this reason. Business with Porsche also continued to go well. LEONI remains exclusive supplier for Porsche's 911, Boxster and Cayman models, and also makes engine cable harnesses for Porsche's SUV, the Cayenne.

Commercial vehicle and component business

In 2006, LEONI succeeded in expanding as planned in the international commercial vehicle industry. LEONI increased particularly its US business with customers Caterpillar, Cummins as well as International Truck and Engine Corporation, which the Company supplies mainly from its facility in Hermosillo, Mexico. Initial, larger-scale projects were also launched in Brazil and China. In Europe, the facility in Arad, Romania was expanded into a Competence Center for truck and special vehicle wiring systems because of the sustained, strong demand. Sales in the Suppliers International business unit, in other words to international automotive component suppliers, also increased at a stronger rate than planned in 2006 due mainly to new European orders. To further enhance productivity in this business segment, the facility in Trencin, Slovakia was restructured.

Increased presence in Asia

With the aim of strengthening its position in the Chinese market, the Wiring Systems division in 2006 set up an additional facility in Shanghai, namely LEONI Electrical Systems (Shanghai) Co. Ltd. A state-of-the-art production facility and a Competence Center, which is responsible for customer care and coordinating development, procurement and sales in China, were built in just seven months. LEONI Electrical Systems was already supplying various automotive manufacturers in China with cable harnesses from June 2006. In addition, the Chinese carmaker SAIC (Shanghai Automotive Industry Corporation) commissioned LEONI to supply the complete wiring system for the new Roewe 750 car, which is based on the former Rover 75 model. Series production for this customer has been underway since early 2007. LEONI had 602 employees in Shanghai at the turn of the year.

In southern China, LEONI had previously operated via the LEONI Wiring Systems (Liuzhou) Co. Ltd. joint venture. To improve its position in this region, the Company acquired the outstanding 30 percent of the shares from previous owner THB in the third quarter of 2006. LEONI Wiring Systems (Liuzhou) has since then been a wholly-owned LEONI subsidiary.

Significant progress was also made in the Korean market. Together with local partner Daekyung Machinery & Engineering Co. Ltd., LEONI received an order to develop and produce engine cable harnesses. This is why LEONI began in 2006 to set up a development and sales office in Korea that began operating in early 2007.

New orders from the car and commercial vehicle industry

The Wiring Systems division received extensive new orders during 2006, which, at their peak, will involve a sales volume of more than € 580 million a year. About two thirds of these involve new projects. The others are key follow-on projects with existing customers. They will also ensure medium-term utilisation of the existing capacity in Europe, Asia and the Americas. The customers placing these orders include BMW, DaimlerChrysler, Ford, General Motors, VW/Audi as well as various commercial vehicle manufacturers. The preparatory work is already underway and will mostly be carried out in 2007. Initial sales contributions are expected from 2008.

Wire & Cable division

Key figures Wire & Cable	2006	2005	Change
Group external sales	€ 1,154.0 million	€ 668.6 million	72.6 %
EBIT	€ 67.6 million	€ 42.0 million	61.0 %
EBIT/external sales	5.9 %	6.3 %	—
Capital expenditure *	€ 47.0 million	€ 21.7 million	116.6 %
Employees (as at 31/12)	7,767	6,756	15.0 %

* *Capital expenditure on property, plant and equipment as well as intangible assets*

Product range and markets

The Wire & Cable division produces a wide range of different wires, strands, cables as well as cable systems for a large number of different markets. These include

- bare, tin-plated, silver-plated, gold-plated and nickel-plated copper wires and strands for the cable and components industry
- automotive cables
- power cords and cable harnesses for electric household appliances and tools
- copper and glass fiber-based data cables for communications and data networks in industrial environments, offices and private households.

In addition, there are specially developed and in many cases ready-to-connect cables and cable systems, which are made to order and meet particularly high, specific requirements. The customer industries for these special cables comprise automation, drive, traffic and infrastructure engineering, machinery and plant engineering, robotics, professional audio and video technology as well as medical equipment.

Business performance

The Wire & Cable division performed highly successfully in 2006. Its external sales increased from € 668.6 million to € 1,154.0 million and thus exceeded the one-billion threshold for the first time. Year on year, this corresponds to an increase of nearly 73 percent. LEONI generated 21 percent growth in this segment with its own resources. Due to the economic upswing, demand from the various markets improved steadily over the year. Acquisitions, especially of the Stolberg-based Kerpen GmbH & Co. KG group of companies and Studer Draht- und Kabelwerk AG, based in Däniken, Switzerland, accounted for 42 percent of the sales growth. The sharply increased price of copper accounted for 37 percent of the sales increase. Earnings before interest and taxes (EBIT) were up by 61 percent to € 67.6 million in 2006, which is attributable above all to widened activity in profitable market niches and to enhancing value creation.

In the 2006 financial year, the Wire & Cable division spent € 47.0 million (€ 21.7 million in the previous year) on property, plant and equipment as well as intangible assets, which included a state-of-the-art plastics treatment line at the facility in Roth and setting up a new production line for high temperature cables in North-Rhine Westphalia. In addition, the division spent € 109.4 million on acquiring subsidiaries and € 0.9 million on investments. The new subsidiaries also increased the number of employees: the Wire & Cable division employed 7,767 people on the closing date, 1,011 more than at the end of the previous year.

Standard and special cables for the motor vehicle industry

The automotive industry and its suppliers continued to be the most important group of customers in 2006. LEONI makes weight optimised standard cables as well as flat automotive cables and engine-compartment high tem-

perature cables for these companies. Sales in this segment rose substantially in the year under report, thus bolstering LEONI's global market-leading position.

The customers for automotive cables include numerous cable harness and wiring system makers that operate on an international scale, and some of which compete with LEONI's Wiring Systems division. They benefit from LEONI's high standard of quality and its worldwide network of production facilities in China, Germany, Mexico, Poland, Turkey and Hungary. All plants enjoyed either good or very good capacity utilisation in 2006.

Power cords and cable harnesses for electrical appliances

LEONI was also able in 2006 to increase its sales in the market for electrical appliances, which is characterised by heavy price pressure and relocation of production to Eastern Europe and Asia. Along with ready-to-fit assembled power cords, production was increasingly stepped up to make cable harnesses for domestic appliances such as washing machines, dryers and dishwashers, which involve a greater depth of value added. To confront the heavy cost pressure, LEONI Cable's production for the electrical appliance industry is meanwhile located only at the Chinese plants in Changzhou and Xiamen as well as at LEONI Slovakia. The production based in Belgium was relocated entirely, including the production equipment, to these more wage cost-favourable locations in 2006. Since the successful completion of its restructuring, the facility in Belgium now focuses exclusively on sales activity. In China, LEONI started at the end of the year to expand a facility that will, from 2007, also produce rubber-insulated cords for power tools.

LEONI Fiber Optics

LEONI Fiber Optics GmbH, which is based in Neuhaus-Schierschnitz and specialised in glass fiber and polymer-based fiber optic cables for modern data communications as well as industrial applications increased its sales by considerably more than budgeted in 2006. The reasons for this were stepped-up sales activity and product innovations, thanks to which LEONI gained promising new orders and was able to position itself as an exceptionally flexible specialist in fiber optic solutions. There was, furthermore, targeted expansion of exports. LEONI Fiber Optics recorded growth above all with glass fiber cables for laser and medical equipment, but also in the market for wind turbines, which are frequently controlled and monitored by means of fiber optic cables. Stromberg-based subsidiary LEONI Prinz Fiber Optics GmbH, which makes special glass fibers for endoscopic, spectroscopic and illumination applications among others, also succeeded in increasing the volume of its business.

Takeover of NBG Fiber-Optic and j-fiber

Another promising area for application of fiber optic cables is fiber-to-the-home (FTTH). This term defines the use of high performance cables to transmit the growing volumes of data for TV, video, audio and voice over internet protocol to and from private households. With the aim of strengthening its position in this market segment and of being seen in future as a systems provider, LEONI acquired NBG Fiber-Optic GmbH of Gmünd, Austria on 6 October 2006. NBG Fiber-Optic plans and installs complete data networks and has an installation system to connect private households to public data networks. The company employs 79 people and generates annual sales of about € 13 million.

In November, and effective 1 January 2007, LEONI also acquired 51 percent of the shares in Jena-based j-fiber GmbH. j-fiber is one of Europe's leading suppliers of optical glass fibers, which are required particularly for cables

used in corporate networks as well as in the telecommunications industry. Together with j-fiber, LEONI is able to present itself as an all-in provider in the field of fiber optic technology. This also significantly reduces exposure to the small number of fiber suppliers that exist around the world. j-fiber generated sales of about € 14 million with a staff of 135 in 2006.

Special cables for the capital goods industry

LEONI meets the growing demand for tailor-made special cables for a very wide range of different industrial applications via various subsidiaries and participations. The companies supplied are in the following sectors, among others: machinery and plant engineering, shipbuilding and marine technology as well as robotics. LEONI succeeded in this highly diversified area of business in increasing its sales and broadening its customer base in 2006. Among the factors contributing to this was the acquisition in mid 2005 of Ulm-based neumatic Elektronik + Kabeltechnik GmbH & Co. KG, which specialises in tailor-made cable harnesses and electronic solutions for specialised vehicles and cranes.

LEONI & STUDER Transportation Systems GmbH, the joint venture set up in 2005 and which has since the takeover of Studer been wholly owned by the LEONI Group, moved into new premises in Roettenbach near Nuremberg at the beginning of 2006. This business, specialising in cable solutions for rolling stock, executed a number of projects postponed in the previous year and received a significant new order from the German rail industry.

LEONI HighTemp Solutions

LEONI set up its new facility, LEONI HighTemp Solutions GmbH in Halver/North-Rhine Westphalia, in the second half of 2006. It is a facility for producing high temperature cables, which will commence operating in early 2007 with 40 employees. The exceptionally resilient cables of LEONI HighTemp Solutions are suited to conditions of between 150 °C and more than 1,000 °C, and are used above all in the automotive industry as well as in industrial applications.

LEONI Special Cables

LEONI Special Cables GmbH, based in Friesoythe, generated significant growth in 2006 with innovative cables and cable systems for the telecommunications, medical equipment, automation and drives as well as aviation and space industries. Demand picked up appreciably in all business segments. A new large-scale order, production for which started up successfully in 2006, from the automation segment provided positive impetus. In the telecommunications sector, LEONI Special Cables made gains above all in China. The business also obtained a major order in Germany from a mobile communication network operator, which will benefit sales and earnings in the years ahead. An initial order in the aviation and space sector was of strategic importance. It involves all the wiring for a business jet of Grob Aerospace, the southern German aircraft manufacturer.

To improve its starting position in the up-and-coming market of India, LEONI Special Cables established a sales & distribution company in Mumbai in May 2006.

Integration of the Kerpen Group

The Stolberg-based Kerpen GmbH & Co. KG group of companies, acquired effective 31 December 2005, also performed very well indeed, widely exceeding both its sales and earnings projections. Integration of the manufacturer of data and special cables was successfully completed in 2006, and has already yielded considerable synergistic benefits. Kerpen is, with a staff of 689, active in both the market for copper data cables and the industrial project

business. The latter performed very well in the past financial year: there was a significant increase in demand particularly for special cables used in petrochemical plants.

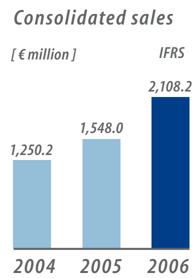
Acquisition of Studer Draht- und Kabelwerk AG
The largest acquisition in 2006 was that of the cable specialist Studer Draht- und Kabelwerk AG based in Däniken, Switzerland. Studer is one of the biggest cable manufacturers in Switzerland and leads Europe-wide in the field of halogen-free installation cables. With this new subsidiary, acquired effective the end of July 2006 at a price of € 104 million, LEONI has bolstered its position especially in the market for infrastructure applications. Halogen-free installation cables are used, for example, to equip railway and motorway tunnel systems. The customers also include major Swiss power utilities. Studer also makes industrial and special cables that are used in rolling stock, airport and solar engineering as well as shipbuilding. Another of Studer's mainstays comprises refining and sterilising industrial, pharmaceutical and medical equipment products by means of high-energy radiation. The process involves the use of irradiation cross-linking to improve the thermal, mechanical and chemical properties especially of polymers. Studer employs 407 people. In the five months following its takeover in 2006, Studer contributed € 55.2 million to LEONI's consolidated sales.

Wire business
In the wire business there was a significantly improved situation particularly in orders for copper flexibles. As a result, the German facilities in Weissenburg und Bad Kötzting enjoyed very good capacity utilisation. There was also a strong increase in demand in China because numerous multinational cable manufacturers are expanding their production in this region. The wire facility in the United Kingdom made gains above all with nickel-plated copper wires. Only the US business fell short of expectations in 2006.

Earnings situation

Consolidated sales

The consolidated external sales of LEONI AG rose by about 36 percent to € 2,108.2 million in 2006. Roughly 28 percent of this strong increase was the result of organic growth, with about 36 percent attributable to acquisitions. For the most part, this involves the data and special cables manufacturer Kerpen and the Swiss cable company Studer. The remaining 36 percent are attributable to the significantly increased price of copper.

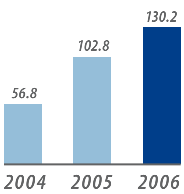


Earnings performance

The earnings situation of the LEONI Group likewise improved significantly in 2006. The earnings-boosting factors were above all the larger volume of business as well as the increased proportion of output involving more value creation. Yet the new, profitable subsidiaries also made a contribution. Gross profit on sales was up about 21 percent to € 405.9 million. This smaller growth rate compared with the increase in consolidated sales was due almost entirely to the sharp rise in the price of copper that, while increasing the volume of business, had no material effect on earnings due to the fact that increases are passed on to the customer as well as to hedging transactions. The gross margin came to 19.3 percent in 2006, versus 21.7 percent in the previous year.

Consolidated EBIT

[€ million] IFRS



While selling costs rose roughly in line with business volume by just under 36 percent to € 112.7 million, the Company even lowered its administrative costs from € 98.3 million to € 96.9 million despite its considerable expansion. Spending on research and development was up from € 41.9 million to € 47.2 million. Taking all operating costs into account left an increase of about 27 percent in consolidated EBIT of € 130.2 million.

There was virtually no change in the financial result with a figure of negative € 13.8 million versus the previous year's negative € 13.3 million. Pre-tax earnings improved by more than 31 percent to € 116.6 million. The bottom line after deducting the tax payment of € 37.3 million (€ 32.7 million in the previous year) showed net income up 41 percent to € 79.3 million. The lower tax rate of 32.0 percent versus the 2005 figure of 36.9 percent was due mainly to consideration of the entitlement to refund of a corporate tax credit in the amount € 4.8 million.

Earnings per share – both diluted and basic – came to € 2.64, up from the previous year's figure of € 1.89.

Financial situation

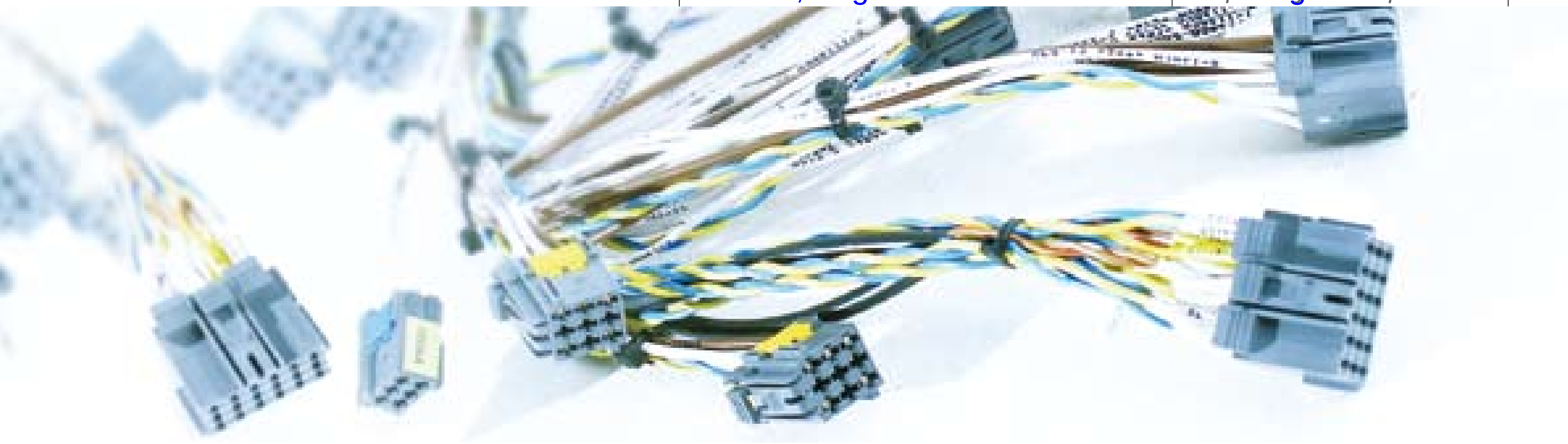
Financial management and structure

The prime objectives of LEONI's financial management are to assure liquidity, financial flexibility and stability. This is achieved by using a wide range of different financial instruments, which are described in detail in the Notes (cf. Financial instruments and derivatives). LEONI has a new, long-term bond issue on the market, as well as having signed long-term loans with its core banks and having made ample provision with agreed credit lines. To complement the financial instruments, the Company also engages in the sale of receivables and employs leasing. As a matter of principle, LEONI attaches great value to a solid financing structure. Among other aspects, the aim is thereby to assure LEONI's status on the capital market as well as among banks and suppliers as a company with investment-grade creditworthiness.

Net financial position

[€ '000]	*2006*	*2005*	*Change*
Cash and cash equivalents	*135,738*	*114,110*	*21,628*
Short-term financial liabilities	*(48,592)*	*(139,975)*	*91,383*
Long-term financial liabilities	*(324,058)*	*(141,624)*	*(182,434)*
Net financial liabilities	*(236,912)*	*(167,489)*	*(69,423)*

Net financial liabilities amounted to € 236.9 million at the end of 2006, as opposed to € 167.5 million one year earlier. Whereas short-term financial liabilities were scaled down from € 140.0 million to € 48.6 million, long-term financial liabilities were up, due mainly to issuing new bonds (€ 200 million) with a term of seven years and a nominal interest rate of five percent, from € 141.6 million to € 324.1 million.



Thanks to its solid financial resources, LEONI did not even come close to having to exhaust the credit lines made available by banks. To ensure liquidity, there exist short-term credit lines amounting to € 271 million with terms up to 39 months. Of this, just € 16 million was drawn down on the balance sheet date. LEONI at all times met its payment obligations in full.

To improve liquidity, LEONI also makes use of factoring, i.e. the sale of receivables. On the balance sheet date, factoring reduced trade receivables by the amount of € 32.9 million (previous year: € 47.3 million).

The group uses interest rate swaps and interest rate caps to address the risk of changes in interest rates that can arise when hedging short and long-term borrowing requirements. Such derivative contracts (interest rate) are handled exclusively by LEONI AG. The nominal volume of existing interest rate swaps at the end of December was € 101.8 million (previous year: € 110.5 million), while interest rate caps amounted to € 16.0 million (previous year: € 18.0 million).

LEONI's international activity can result in currency risks when business is transacted in either the euro or the currency of the local market. In such cases the Company carries out currency hedging transactions to limit the impact of exchange rate fluctuation on consolidated earnings. At the end of 2006, such hedging was transacted mainly in US dollars, the pound sterling, Slovakian crowns, Polish zloty and Romanian leu totalling € 117.2 million versus € 98.1 million on the same date one year earlier.

Cash Flow Statement

Consolidated statement of cash flows [€ '000] [abridged version]	*2006*	*2005*
Cash provided by operating activities	*136,099*	*111,071*
Cash used for capital spending activities	*(185,731)*	*(81,923)*
Cash provided by/used for financing activities	*67,786*	*(8,069)*
Increase in cash and cash equivalents	*18,154*	*21,079*
Cash and cash equivalents on December 31	*135,738*	*114,110*

Cash provided by operating activities increased from € 111.1 million to € 136.1 million in fiscal 2006. Along with the significantly higher net income, this increase reflects above all changes in current assets, which are due mainly to the substantially larger volume of business. For instance, the change in receivables came to € 69.1 million in the period under report (€ 16.9 million in the previous year) and inventories were up by € 57.1 million (€ 38.6 million in the previous year). These committed funds were offset by the change in liabilities of € 121.3 million (previous year: € 51.9 million), which had a beneficial effect on liquid assets.

Due primarily to the acquisition of new subsidiaries, for which cash amounting to € 110.3 million was required in 2006 as opposed to € 15.8 million in the previous year, cash used for capital spending activity rose from € 81.9 million to € 185.7 million. Payout on investment in property, plant and equipment as well as intangible assets was up from € 61.8 million to € 77.0 million.

The LEONI Group had a cash inflow from financing activities of € 67.8 million in the period under report, there having been an outflow of € 8.1 million in 2005. The predominant items in 2006 were cash receipts from acceptance of financial liabilities amounting to € 206.7 million. Of this, the by far largest proportion was accounted for by issuing the corporate bond, which provided LEONI with cash of € 198.7 million after deducting expenses.

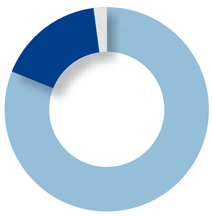
These funds were used to discharge short-term loans amounting to € 122.0 million, also including the bearer bond in the amount of € 75 million that was issued in 1999. The dividend payout was up from € 12.4 million to € 16.9 million.

Overall, changes in the aforementioned items at the end of the year resulted in a € 21.6 million increase in cash and cash equivalents. This includes € 4.4 million from subsidiaries consolidated for the first time. Changes in exchange rates resulted in a reduction by € 0.9 million, thus putting cash and cash equivalents at the end of December 2006 at € 135.7 million, compared with € 114.1 million on the same date one year earlier.

Free cash flow before spending on acquisitions and the dividend (after interest payments) improved in 2006 from € 51.0 million to € 61.5 million.

Capital expenditure

Capital expenditure by business division



- *Wiring Systems 17 %*
- *Wire & Cable 81 %*
- *LEONI AG 2 %*

Group-wide, LEONI invested € 194.8 million in the year under report, compared with € 87.0 million in 2005. Intangible assets accounted for € 4.4 million of this, in particular involving software for the IT systems of the LEONI Group.

Spending on property, plant and equipment amounted to € 79.3 million (€ 58.6 million in the previous year) and thus to significantly more than the depreciation of € 56.6 million. Among other things, the funds went into building and expanding wiring system facilities in China, North Africa and South America, into the new plant of LEONI HighTemp Solutions to produce high temperature cables as well as setting up a state-of-the-art plastics treatment line at the cable plant in Roth.

€ 111.1 million was spent on acquisitions and investments (€ 22.0 million in the previous year). This almost entirely involved the acquisition of new subsidiaries in the Wire & Cable division.

Asset situation

Consolidated balance sheet

Both the substantial growth in the LEONI Group's business and first-time inclusion of the subsidiaries acquired in 2006 resulted in a significant increase in the consolidated balance sheet of about 30 percent to € 1,371.2 million. On the asset side, the aforementioned factors are reflected in current assets, which rose from € 615.7 million to € 844.3 million. Particularly the increase in receivables and other assets by € 108.3 million to € 361.1 million and the rise in inventories by € 86.8 million to € 330.9 million had a major effect in this regard. Cash and cash equivalents amounted to € 135.7 million at the end of December (previous year: € 114.1 million).

Along with the consolidation-related changes, the increase in property, plant and equipment by nearly 18 percent to € 397.1 million reflected the significantly larger amount of capital expenditure than the depreciation charges. The item "Goodwill" increased from € 40.0 million to € 65.4 million as a result of the acquisitions.

The liabilities side of the consolidated balance sheet is characterised above all by the refinancing measures applied in 2006. As part of this, short-term financial liabilities were scaled back from € 140.0 million to € 48.6 million. This was done mainly by issuing a seven-year corporate bond in an amount of € 200 million. Due above all to this bond issue, the item comprising non-current financial liabilities increased from € 141.6 million to € 324.1 million.

Equity improved by about 13 percent year on year to € 481.7 million thanks to the encouraging earnings performance. As the balance sheet grew by even more, however, the equity ratio on 31 December 2006 was down from about 41 percent to roughly 35 percent. Equity resources thus still present very much a solid picture.

Asset and capital structure [€ million]	*12/31/2006*	*%*	*12/31/2005*	*%*
Current assets	*844,321*	*62*	*615,727*	*58*
Non-current assets	*526,907*	*38*	*437,638*	*42*
Assets	*1,371,228*	*100*	*1,053,365*	*100*
Current liabilities	*458,094*	*33*	*406,445*	*39*
Non-current liabilities	*431,433*	*32*	*219,768*	*21*
Equity	*481,701*	*35*	*427,152*	*40*
Total equity and liabilities	*1,371,228*	*100*	*1,053,365*	*100*

Disclosures with respect to share capital

The share capital in LEONI AG amounts to € 29.7 million. It is divided into 29.7 million registered shares.

In addition, there is authorised capital in the amount of € 14.85 million, which the Management Board can use until 2 May 2011 to increase the share capital for contributions in cash or in kind. Shareholders must be granted a right to subscribe. However, the Annual General Meeting on 3 May 2006 entitled the Management Board, with the approval of the Supervisory Board, to rule out shareholders' subscription rights in certain cases.

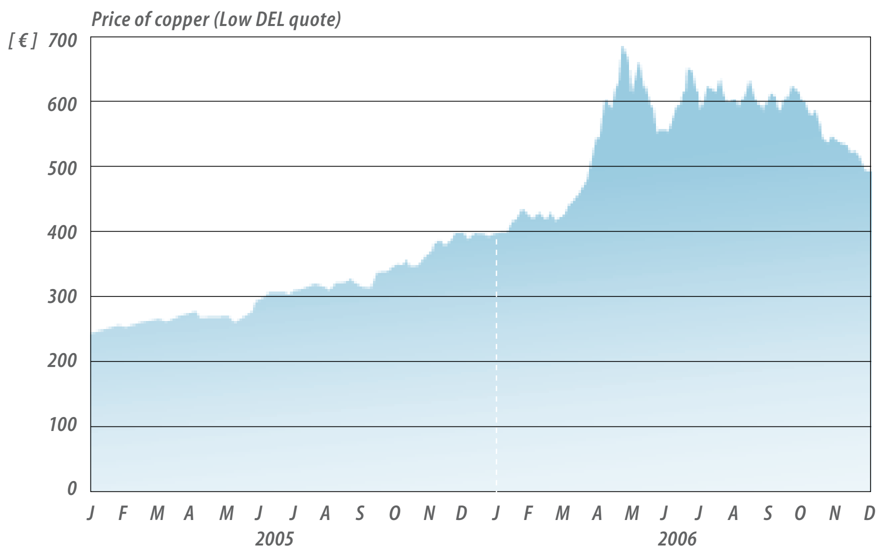
The Annual General Meeting on 3 May 2006 authorised LEONI AG to issue warrant-linked bonds or convertible bonds by 2 May 2011 and thereby to increase the share capital by up to € 14.85 million on a contingent basis. The contingent capital increase can be carried out to the extent only to which holders or creditors of warrants or conversion rights exercise their warrants or conversion rights.

The Management Board of LEONI AG is not aware of any constraints affecting voting rights. There are time limitations only on the transfer of shares that management and staff of the Company receive as part of their compensation.

There are no shareholdings, either direct or indirect, that exceed ten percent of the voting rights. There are no shares with special rights either.

Nor do any agreements of LEONI AG exist that are conditional upon a change of control as a result of a takeover bid. Neither are there any agreements with the Management Board or staff concerning compensation in the event of a takeover bid.

Other performance indicators



Procurement

Raw material markets

The cost of raw materials that are key to LEONI rose significantly in the year under report. The price of copper, for instance, rose extremely sharply in the first half, in May reaching its all-time high to date of € 6.90 per kg. Although the situation calmed down somewhat thereafter, the annual average price of copper, which is traded on the London Metal Exchange, was still up by about 75 percent to € 5.35 per kg (€ 3.07 in the previous year). The reason for this extreme trend was primarily the strong demand from all parts of the world, and especially so from China. In addition, there were supply bottlenecks attributable, among other things, to mine workers' pay disputes and to environmental factors such as flooding and landslides.

Security of supply

Against this backdrop, the issue of supply security assumed major importance in the Wire & Cable division, especially so in the first half of 2006. The division succeeded in avoiding bottlenecks by expanding its collaboration with strategic suppliers. A further step up in the use of copper futures contracts contributed to minimising the impact of copper price fluctuation on the overall result. Apart from copper and some other metals, polymers such as polyvinyl chloride, polyurethane and polyethylene account for a major proportion of procurement. Due to the sharp rise in the price of crude oil, the cost of the raw materials required for PVC production increased by up to 30 percent since September 2005. Although there were signs of the crude oil price easing back towards the end of the year, a decrease in the level of polymer prices reached is not likely in the short term because of the higher energy costs and the tight supply situation.

Global sourcing

The general rise in the cost of raw materials also affected the Wiring Systems division. LEONI confronted the resulting huge pressure on prices with an increasingly global procurement strategy. Cost optimisation in design, the use of low-cost markets and a clear twin-supplier policy involving the most important materials procured contributed to offsetting the price increases. Greater use of local sourcing options by LEONI's global procurement network also exerted a positive effect. Along with head office in Kitzingen, this includes offices in China, the United Kingdom and the NAFTA region.

Employees

Number of employees

On 31 December 2006, the LEONI Group employed 35,129 people, i.e. 2,491 people or eight percent more than on the same date one year earlier (32,638). This increase is attributable mostly to acquisitions in the Wire & Cable division as well as to expanded operations at various facilities in Asia, North Africa and the Americas. The number of employees in Germany rose by 179 to 3,877, as in the previous year equating to about eleven percent of the total workforce. Outside Germany the workforce grew by 2,312 people to 31,252, which still corresponds to 89 percent of the Group's overall number of employees.

In the Wiring Systems division, recruitment involved above all the new facility in Shanghai, China. Due to larger quantities delivered and start-ups of new production, there were also increases in Mexico and Tunisia. Overall, the number of employees in this division at the end of 2006 was up by 1,470 or 5.7 percent to 27,199 (25,729 in the previous year).

The Wire & Cable division employed 7,767 people at the end of the year; 1,011 more than on the same date one year earlier (6,756). This equates to an increase of 15 percent, which was due on the one hand to the acquisitions of Studer Draht- und Kabelwerk AG in Switzerland with 407 employees and of NBG Fiber-Optic GmbH in Austria with 79 employees. On the other hand, 328 additional employees were recruited at the facilities in China because of the strong business expansion in this region.

The LEONI AG holding company employed a total of 163 people on 31 December 2006 (153 in the previous year).

"TOP employer"

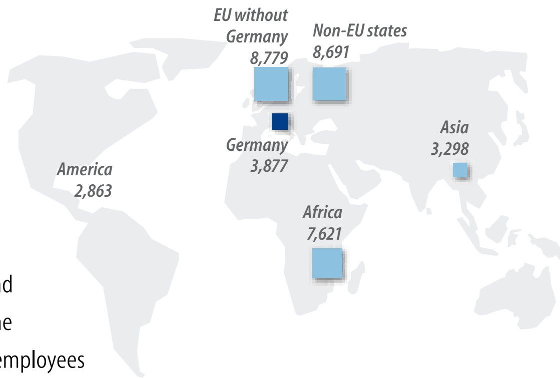
In early 2006, the Corporate Research Foundation selected LEONI as one of the "TOP employers in Germany" for the third time in succession. This commendation is awarded annually to companies that offer their employees particularly good working conditions and prospects. The commendation shows the guiding principle that "LEONI offers its employees challenging, attractive jobs" is being successfully applied. In practice, this commitment results in low staff turnover in Germany and in a large number of unsolicited job applications.

Management training

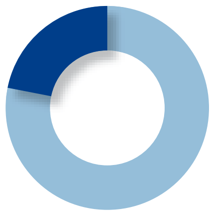
To counteract the forecast, demographics-driven shortage of skilled professionals, LEONI again in 2006 committed itself resolutely to management training and again participated in numerous higher education and graduate fairs. As in the preceding years, the Company recruited talented and highly qualified candidates by offering international management training programmes. This frequently makes it possible to fill management positions from within the Company's own ranks. Our career advancement courses with participants from various countries also improve the intercultural knowledge of trainee managers and enhance cohesion within the Group across national boundaries.

The number of trainees in 2006 again slightly exceeded the in-house requirement. In addition, the Company again offered places to gain entry-level qualifications in the context of the German government's training initiative in conjunction with trade and industry.

Employees by region



Employees by business division



- Wiring Systems 78 %
- Wire & Cable 22 %

Research and Development

A technologically leading position

LEONI AG continued its in-depth R&D work in 2006 with the aim of bolstering and enhancing its technologically leading position in both business divisions. The focus was on new kinds of wire and cable products as well as on customised cable and wiring systems. Aside from ongoing projects, the Corporate Research & Development department (German abbr. 'ZFE') worked on promising technologies and solutions to tap fresh opportunities in the market. The Company also once again involved outside know-how by collaborating with various universities and technical colleges.

Spending on research and development in the LEONI Group was up by nearly 13 percent to € 47.2 million in 2006. The total number of staff in this area was 124, up from 96 in the previous year. In addition, there are 58 staff at the Intedis GmbH & Co. KG joint venture, which specialises in development work. The LEONI Group applied for a total of nine patents and registered one utility model in 2006.

Wiring Systems

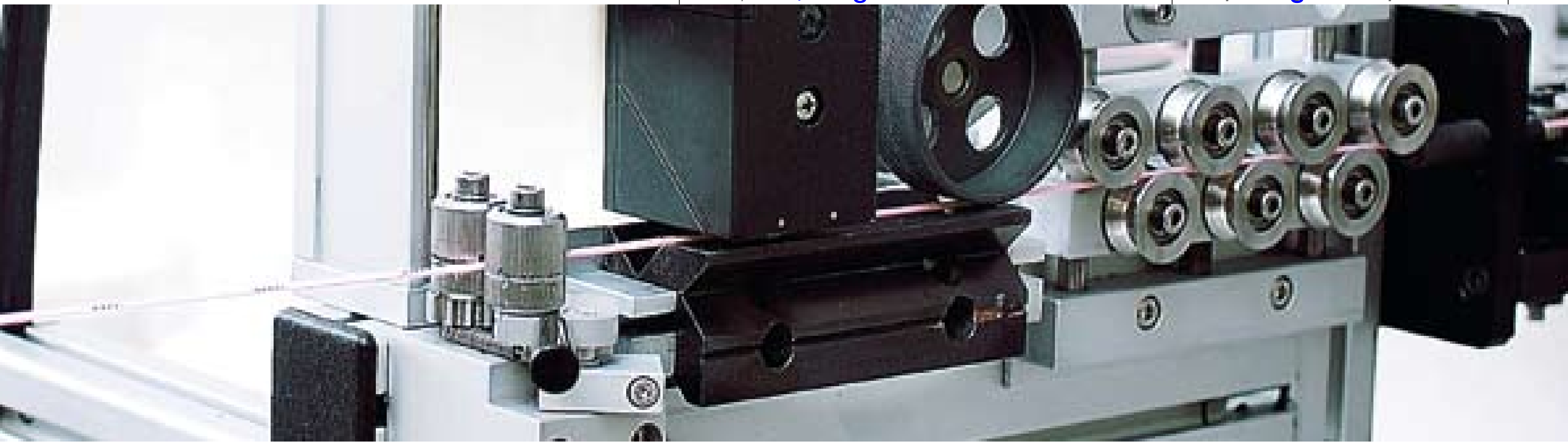
The focal point of the Wiring Systems division's R&D work in 2006 continued to be development of customer-specific wiring system architectures as well as cost and weight optimised cable systems. The whole development network, which consists of head office in Kitzingen and the bases at key locations across the world, worked on this. In 2006, the Company opened new Engineering Centers in Wolfsburg and Shanghai, as well as another in Seoul in early 2007.

Moreover, the Wiring Systems division forged ahead with integrating components such as fuse and relay boxes into the whole wiring system architecture with the aim of enhancing the ability to compete and value creation. Various projects in this field were already successfully completed in 2006. Development of pre-formed engine cable harnesses for the American commercial vehicle market and special cable systems for hybrid vehicles were other focal points.

LEONI responded to the growing significance of vehicle safety with a range of innovative product ideas: At the SAE show in Detroit, the Company presented a first-ever design that integrates „crashpads" into the wiring system. These are plastic pads that are integrated in headrests, door trim and roofliners to reduce the danger of injury in the event of an accident. A highly sensitive anti-pinch protection sensor, which LEONI has developed together with partners in the United States and Germany, also provides additional safety. The sensor is based on polymer optical fibers and can be integrated in the seals of doors, windows and tailgates. The slightest touch causes the motor into reverse and thereby helps to prevent injury. The division also presented a new cable harness module for sliding doors in 2006. It ensures that the functions installed in the door, such as loudspeakers, power window motors, anti-pinch protection and airbags are supplied with power even when the door is open.

Intedis

The Intedis joint venture, in which LEONI AG and automotive component supplier Hella KGaA Hueck & Co. have equal 50 percent stakes and which specialises in development services, presented a range of innovative sensor ap-



plications for vehicle interiors in 2006. Apart from touch-free switches and other products, Intedis has designed a new kind of seat-occupation recognition system that is particularly reliable as well as a method for applying electronic components directly onto flat conductors, which is suited to the interior wiring of passenger cars, commercial vehicles as well as buses and coaches. In addition, Intedis supported LEONI AG in simulating highly sophisticated wiring system architectures.

Wire & Cable

The focus of the Wire & Cable division's R&D in 2006 was on developing extremely heat resistant cable. For instance, LEONI has developed ABS cables for the car industry that can resist temperatures of up to 150 °C. In the fourth quarter of 2006 these cables were used in customers' series production for the first time. LEONI Elocab launched a project involving miniaturised cables that have consistently good electrical properties despite their small diameter. Together with its new subsidiary Studer, LEONI also designed a generation of thermally resistant cable for vehicles with high-power diesel engines, among other applications. LEONI presented a further innovation for the automotive industry with a data cable that can be automatically assembled, and which can be used to supply a USB interface for example to connect MP3 players.

LEONI Fiber Optics developed a system for optical data transmission in vehicles that is based on polymer optical fibers. Thanks to its high electromagnetic tolerance, this system is suitable for safety-related components such as airbags. LEONI Special Cables worked on the wiring for the business jet by aircraft manufacturer Grob Aerospace as well as innovative cables for the space industry.

In the wire segment, the properties of the material LEONI Histral®, which serves as a replacement for copper alloys containing cadmium, were further improved. This material can meanwhile be used to produce exceptionally stable wires and strands, which in some cases significantly exceed the pertinent standards in terms of conductivity and flexibility.

Long-term ZFE projects

LEONI AG's Corporate Research & Development department (ZFE) in 2006 successfully completed one of its projects that had run over several years: In the context of its "ImPKW" feasibility study, the department achieved robot-supported, fully automated wiring of a passenger car door with a flat-conductor cable harness at marketable costs. Negotiations with the Bavarian Research Foundation about a follow-on project have started.

ZFE also made progress with its Flamecon technology, which is a process to apply coatings that can conduct electricity onto a wide variety of different materials. Flamecon was tested, for example, in the production of LED tail lights for passenger cars. There was also decisive progress in the plasma printing project, which is based on this technology. Plasma printing makes it possible to produce particularly fine coatings that can conduct electricity onto a wide range of different carrier materials. LEONI started testing this innovation under near-mass production conditions in the second half of 2006.

ZFE also developed an improved electronic control system for keypads with optical sensors, as used in household appliances for example. This makes it possible to produce such buttons, which are based on what is known as the evanescent effect, at significantly lower cost and in a more space saving way.

Environmental management

LEONI considers thinking and acting in an environmentally aware and responsible manner to be among the factors fundamental to lasting success. The environmental policy guidelines prepared by the Management Board are therefore binding for every employee, and are applied and observed at all corporate levels. The principles of LEONI's environmental policy are accessible to business partners via the internet. Due to the comprehensive approach taken, particular account of environmental compatibility is taken as early as the design of products and processes.

LEONI's environmental management is based on a company-wide system that ensures ongoing ecological improvements. The focus is on avoiding emissions and waste as well as preserving natural resources, especially in terms of reducing consumption of energy as well as raw materials and supplies. With respect to plant and equipment, the Company also aims to use the most environmentally friendly technology in every instance. Environmental targets are set for the individual facilities and monitored by internal audits. This has not only a directly positive effect on the environment, but at the same time also contributes to making employees aware of environmental concerns.

Another objective of LEONI's environmental policy is to gradually certify all facilities to the international ISO 14001 standard. In November 2006, LEONI Xiamen in China, which belongs to the Wire & Cable division, was successfully audited. In the preceding years the facilities in Roth, Bad Kötzting, Weissenburg, Friesoythe and Stolberg in Germany as well as the four plants in Hungary, China, Poland and Mexico already took this step towards systematic environmental protection. The production facilities in Stara Tura, Slovakia and Gemlik, Turkey will follow in 2007. The first company environmental audits were already successfully carried out at these facilities in 2006.

There was also progress in the Wiring Systems division in 2006. The facility in Hermosillo, Mexico was the second plant to be ISO 14001 certified. The facility in Guimaraes, Portugal likewise successfully underwent the audit process. The auditors issued follow-on certification to the previously audited plants in Arad, Romania and Cairo, Egypt.

Supplementary report

The Wire & Cable division was renamed Wire & Cable Solutions at the turn of the year and was given a new organisational structure. This takes account of the division's broadened footprint in the market and its comprehensive technology portfolio. The Wire & Cable Solutions division will in the future cover, across individual facilities, the following business units: Automotive & Standard Cables, Infrastructure Solutions, Networks/Automation & Drives, Industrial Applications, Electrical Appliances, Medical/Aerospace/Marine, Wire & Strands as well as Special Product Lines.

Risk report

Risk policy

LEONI's global business is inevitably associated with risks, which cannot entirely be ruled out despite all due diligence. Risk policy as set by the Management Board determines the activity of all people involved in the process of risk management. The overriding principle of this policy is to take advantage of existing opportunities, but only to accept the risks associated with the business activity if it can be expected to make an appropriate contribution to enterprise value. As a general rule, risks and opportunities are defined at LEONI as deviation from the planned result. Dealing with risks on a regular basis and the obligation to report on them has sharpened the risk awareness of employees on all management levels.

Efficient risk management system

LEONI has a systematic and efficient risk management system, which includes the corporate risk manager and about 120 managers involved in the operations of all relevant business areas acting as risk monitors. A unit that reports directly to the Management Board is in charge of monitoring and coordinating the risk management process at head office. It also determines and describes the Group's overall risk situation. Immediate responsibility for early recognition, control and communication of the risks rests with the managers in operations. Based on its monthly information, the risk management and controlling of the business divisions prepares monthly reports for the corporate risk manager who compiles these in quarterly reports for the Management Board.

Apart from the reporting, a list of risks by sub-group is updated once a year in risk management workshops and the likely range of fluctuation in market risks is ascertained for the aggregate statement that looks ahead over the next five years. The corporate risk manager ensures that the Management Board and the Supervisory Board are informed of key changes in the risk situation without delay.

A regularly held risk management meeting was introduced to further improve the risk management system. During these meetings, the legal, internal audit, finance, insurance and tax departments exchange information with the risk managers and controllers of the sub-groups. All risks, as well as the measures to counteract them, are recorded on a workflow-supported database. This provides the option of an ad-hoc risk report.

The risk reporting and workflow-support database ensure that existing risks are identified, monitored and controlled as well as being systematically reduced by countermeasures applied. Risk management is also integrated in the existing planning, controlling as well as information systems and covers all companies in the LEONI Group worldwide. This likewise ensures that information from operative and strategic controlling is used to identify and recognise risks at an early stage.

Market risk

LEONI depends to a large extent on the state of the market in the automotive sector. Customers in this sector and their suppliers account for about 68 percent of consolidated sales. The business performance of the automotive industry therefore has a major influence on consolidated sales and earnings. Our dependence on a small number of major customers constitutes a risk that the Wiring Systems division is reducing by gaining new customers. Losing a customer could nevertheless have a large impact, even though there would be a fairly long lead-time before the effect sets in because of the lengthy contract periods covering a particular model range. Even so, LEONI addresses this risk with extensive development work and the best possible service in terms of delivery, which results in establishing very close and stable customer-supplier relationships.

The trend in the automotive industry towards transferring development risks and the persistent pressure on prices affects LEONI, too. The Company and Intedis GmbH & Co. KG, in which LEONI holds 50 percent of the shares, therefore rely, regardless of the constant cost pressure involved, on thorough and comprehensive monitoring procedures during development projects. These are run under near real-life conditions and simulate all conceivable circumstances and conflict situations that may arise while operating a motor vehicle. This reduces the development risks to a minimum. LEONI addresses the prevailing pressure on prices with cost reduction programmes, by setting up production capacity in low-wage countries as well as with lower purchasing prices.

Procurement risk

Copper, which is used in all business segments, is the most important raw material to LEONI. The cost of materials is therefore highly exposed to the global market price of copper, which is subject to significant fluctuation. This high degree of volatility can be passed on – normally after a time lag – to LEONI customers based on contractual agreements to this effect. This time lag can, if the rise in the price of copper is protracted, exert a negative effect on LEONI's earnings as at the closing date. We were able to avoid a loss due to the sharp copper price increase in 2006 thanks to the commodity future transactions signed with respect to existing customer orders.

The second major group of materials, which are used mainly in the Wiring Systems division, comprises bonding systems consisting of plastic casings and metal contacts. These almost exclusively involve tool-specific components, which are mostly procured from a single supplier because of customer specifications or for commercial reasons. The sharp increase in raw material costs could result in these suppliers demanding higher prices and thus in higher prices to procure the corresponding input products. Short-term supply bottlenecks can likewise arise.

Insulation materials such as PVC, polyurethane and polyethylene, which are used in the Wire & Cable division, are another important group of raw materials. The market price of these insulation materials depends very heavily on the price of crude oil as key agents are oil-derived. Given that the price of this raw material is likewise subject to major fluctuation, this can exert an unfavourable effect on earnings if there is no option to pass on or otherwise offset the increased costs.

Location risk

LEONI has about 70 facilities in 28 countries. Policy on choice of location is on the one hand heavily influenced by the wishes of customers, which LEONI follows into foreign markets. On the other hand, the constant pressure on prices and costs compels us to relocate production to low-wage countries. This means that buyers and customers in many instances have to be supplied across several national boundaries. These production countries are also often subject to greater political risk.

It would not be possible to immediately replace the production capacity of large facilities with up to 4,000 employees in the event of an outage. Just-in-time delivery, the single-source principle and customised cable harnesses extend this risk further. The likelihood of such an occurrence can be rated as being very minor, however. Owing to the size that it has attained, LEONI operates a considerable number of production facilities worldwide, which have backup capacity as is prudent and also called for by the carmakers. Moreover, preventive measures have been applied at all production facilities and are set out in a global emergency plan. These range from a round-the-clock guard service to extensive fire protection systems and largely earthquake-proof construction. Furthermore, no LEONI facility is located in an area subject to above-average threat of earthquakes, flooding or other natural disasters.

Personnel risk

LEONI's involvement in new, labour-intensive production locations in Eastern Europe also means dealing with associated personnel risks. These exist with respect to wages, among other factors. Substantially offsetting the increase in wage costs at foreign locations by benefiting from exchange rates, as was done in the past, is now possible to a limited extent only. The key reason for this is the stable currencies of eastern EU accession countries. To avoid the risk of strike, it is essential for LEONI as well to adjust wages to inflation in these countries. In addition there are internal programmes to provide employees with further qualifications and aimed at integration, attractive remuneration schemes as well as supplementary benefits such as operating our own bus services for LEONI staff in the Ukraine. Another risk consists of losing qualified staff in the opened EU labour market.

IT risk

Running a company that operates on a global scale is only possible with the help of sophisticated IT systems. Constant readiness to supply goods and services – especially to the automotive industry that frequently calls for either just-in-time or just-in-sequence delivery – also depends on the IT systems and their data being available at all times. Serious disruption such as system outages or loss of data could threaten ability to supply, temporarily paralyse customers' production and hence result in facing far-reaching claims for compensation. LEONI therefore constantly works – in some instances with the support

of outside specialists – at optimising its IT set-up, both in terms of concept and operation. One example of this is having installed a second, backup computer centre for emergency use, which has a direct glass fiber optic cable connection to LEONI's group headquarters.

An IT security officer ensures, on the basis of rules that are binding throughout the Group, that IT security is given high priority in our Company, that the corresponding rules and regulations are adhered to and that IT risk management is constantly improved.

Financial risk

To back our plans for growth and the capital expenditure it entails, LEONI has received ample short and long-term loan commitments from banks, mainly in the form of conventional lines of credit. The Company also issued a corporate bond in an amount of € 200 million without any special restraints. The Company has, to the extent that loan commitments carry the risk of changes in interest rates, made provision by signing long-term interest rate swap and interest rate cap agreements.

LEONI currently sees no need to take action with respect to interest rate risk arising from short-term borrowing because use of the corresponding credit lines continues to be minor, and because it is expected that interest rates will remain low in the short term.

Currency risks can never be dismissed in a group operating on an international scale. Based on constantly reviewed projections of exchange rates, we hedge risks by means of suitable financial instruments where required. A currency committee that meets regularly and which, in addition to the responsible specialist department and the operating-unit managers from the divisions, also includes the risk management unit, identifies changes and decides on suitable hedging strategies. In addition to the hedging transactions described above, LEONI takes advantage primarily of the option of netting foreign currency items within the Group.

LEONI addresses the risk of bad debt, which has further increased, with its corporate receivables management and involving world's largest credit insurer, which also ensures timely adjustment of credit limits. Despite these measures, the insolvency of a customer will incur unavoidable costs. These will pertain mainly to the non-recoverable receivable itself, customer-specific inventories that can no longer be used and possible expenses incurred by adjusting capacity.

LEONI applies a high degree of commercial diligence when acquiring businesses or committing to joint ventures, and acquires holdings in other companies only after thorough examination. The purchase of equity interests nevertheless entails considerable business risk.

Liability risk

LEONI's output is used primarily for technically sophisticated products and equipment with high safety standards. The associated risks are minimised by taking effective measures as part of process safety and quality management. All plants are certified, depending on the customer group they supply, to either ISO 9001:2000 or to ISO/TS 16949:2002, and in some cases additionally to ISO 14001. There is also insurance cover for operating, product and environmental liability as well as for product recalls.

Environmental risks can virtually be ruled out because of the production methods used. As environmentally harmful production materials constitute the exception, it is comparatively simple to take targeted, preventative measures and to take the corresponding care from the outset.

Export control regimes, such as the continually updated boycott and embargo lists, in occasional instances entail the risk of rule transgression. To avoid this, continual tests by way of the SAP system are run and training sessions for these responsible for observing export controls are carried out.

Overall risk exposure

Its good business performance and successful placement of the corporate bonds in 2006 further raised the Company's ability to cope well even with larger-scale risks. The equity ratio remained at a solid 35 percent and risk transfer to insurers was stepped up.

From today's perspective, the risks described above, which involve mainly market and performance risks, are manageable and do not threaten the Company's continued existence. This is reflected in the result of risk aggregation, in which LEONI's overall risk exposure is determined using statistical methods. Risks that are not yet known to LEONI, or risks that are currently still deemed to be less significant, could have a detrimental effect on LEONI. However, there are currently no discernible risks posing any danger for the Company's continued future existence.

Forecast

Macroeconomic setting and prospects for the sector

The leading German research institutes anticipate persistently favourable business conditions this year, even though global growth is likely to slow down somewhat. Worldwide, gross domestic product (GDP) should increase by more than three percent. The industrialised countries are also expected to sustain their robust economies and, overall, to grow by two to three percent. The latest projections of the federal government put Germany's GDP increase at 1.7 percent. Strong growth is again likely in the emerging countries, with China and Russia in particular likely to make pronounced gains.

The automotive industry projects unchanged sales for Germany in 2007. There is an absence of sizeable buying incentives because of the hike in value added tax and the lack of major model changeovers. Exports are expected to stabilise at the previous year's high level. More deliveries to Eastern Europe and Asia should offset any decline in Western Europe and the United States. The commercial vehicle industry expects demand especially from China, India and Eastern Europe to stay consistently high, whereas a slight dip in demand is forecast for the western European and US markets.

In the electrical and electronics industry the signs are of further growth in 2007 even though consumers in Germany are initially likely to hold back somewhat because of the higher value added tax on domestic appliances and consumer electronics. The IT and telecommunications sector also anticipates a slight sales increase. The slump in prices in the telecommunications sector is likely to persist unabated. Germany's mechanical engineering companies project another increase in output even though demand from the United States and China, which

is increasingly supplying itself, will be down somewhat. By the contrast, the situation in the EU is still a good one. The aviation and space industry is looking to the future with confidence. The medical equipment industry sees growth opportunities above all in foreign markets.

The business divisions' prospective performance and opportunities

In the past financial year, LEONI either met or even exceeded projections for both sales and earnings. Having made stronger than expected gains in 2006, the 2007 sales of the **Wiring Systems** division are likely to be down slightly from the previous year's level. The ongoing major projects continue to ensure good capacity utilisation, though they have in some cases exceeded their peak output figures. There will be little impetus from the market given the easing of demand and only a few model changeovers. After this year of transition, this division's sales should increase considerably again in 2008 and approach the one-billion threshold. Contributing to this will be the extensive new and follow-on projects with the car and commercial vehicle industry that were already gained in 2006, but which for the most part will not boost sales until 2009.

The advance spending required for these new orders – involving, among other things, research and development work as well as reorganisation of various facilities and setting up new ones – will mostly be committed in the current financial year and result in corresponding preproduction costs. From today's perspective, fiscal 2007 earnings before interest and taxes (EBIT) will therefore not match the good level of the previous year. EBIT should increase significantly in the subsequent year, and the new large-scale orders are likely to provide strong impetus from 2009. LEONI is expanding its capacity in China, Mexico, North Africa and Slovakia in connection with preparing for these projects. The Wiring Systems division's capital expenditure will therefore increase to about € 40 million this year.

These new large-scale orders will ensure utilisation of the existing LEONI facilities' capacity and generate additional sales over the medium term. LEONI sees additional opportunity for its Wiring Systems division in expansion of the international commercial vehicle business, especially so in Brazil and China. Moreover, the new facility in Shanghai and the development centre in Korea provide the opportunity in the future to increase supply to local manufacturers in Asia. The chances of gaining new orders from existing automotive industry customers are also good. LEONI benefits in this respect from its high standard of technological expertise, quality and security of supply as well as the many years of proven collaboration with the manufacturers. Greater integration of electrical and electronic components in the Company's range of products and services will also provide positive impetus.

The **Wire & Cable Solutions** division will continue to grow this year, and is likely to generate a high single-digit percentage rate increase in sales. Particularly Studer Draht- und Kabelwerk AG, which will for the first time contribute to business volume over an entire year, but also the two new additions in the glass fiber cable segment and LEONI HighTemp Solutions will exert a positive effect. In addition there are the major orders received in the past year, for instance from the automation, telecommunications and aviation industries. A further sales increase is to be expected in 2008. Earnings before interest and taxes (EBIT) in 2007 should at least match the previous year's record level and increase significantly in 2008.

The division is planning to spend about € 55 million on property, plant and equipment this year, which includes expanding production capacity in China and completing the new facility of LEONI HighTemp Solutions.

There are still opportunities for the Wire & Cable Solutions division to acquire businesses operating in high growth niche markets. There is potential for regional expansion especially in Russia and China, but also in India, particularly in its mobile communications market. Prospects are also especially good in the aviation and space industry as well as in the railway market outside Europe. Furthermore, the new structure that is more focused on the individual customer industries should also have a beneficial effect in the medium term.

Performance forecast for LEONI Group

Based on an unchanged, favourable economic setting and an average copper price of € 5 per kg, the LEONI Group should generate a sales increase in 2007 by a mid single-digit percentage rate. Due to pre-production spending towards further organic growth in the Wiring Systems division, earnings before interest and taxes (EBIT) will from today's perspective amount to between € 120 and 125 million. In 2008 there is likely to be a sales increase similar to that in 2007 and a significant rise in earnings. Possible acquisitions are disregarded in this forecast.

Group-wide, capital expenditure will probably amount to about € 100 million in 2007, thus considerably exceeding depreciation. No significant changes are planned with respect to the number of employees.

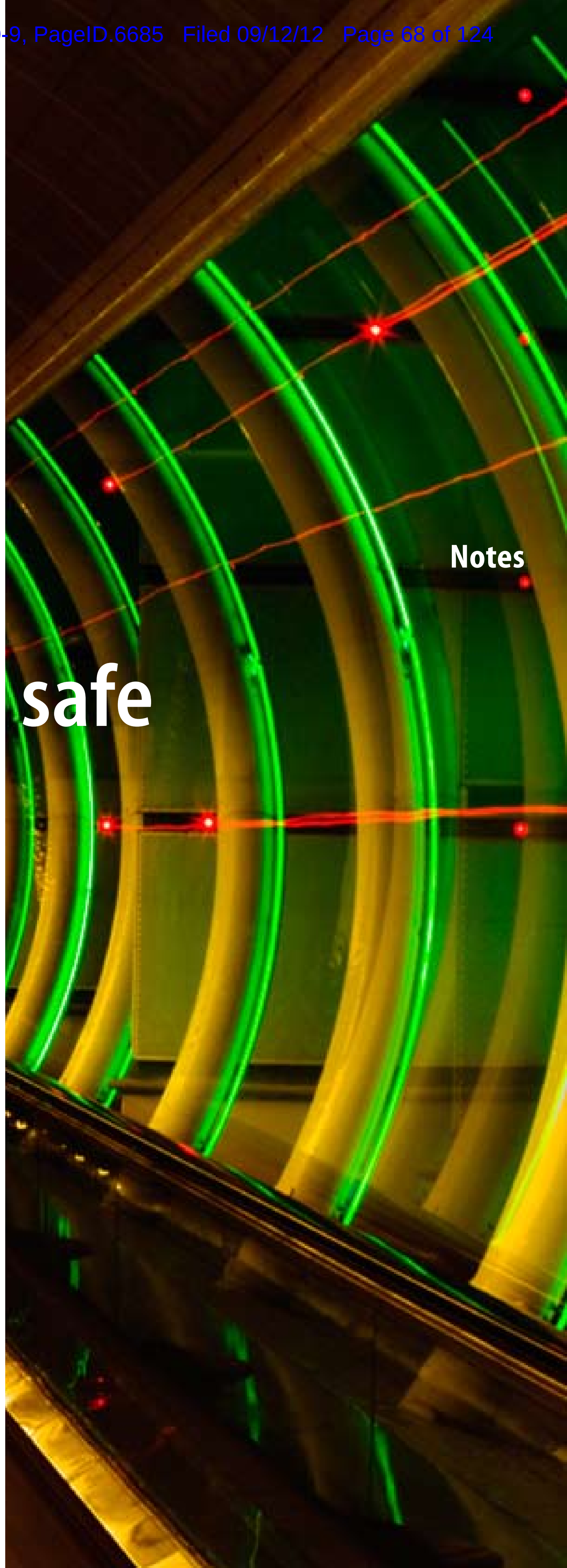
LEONI AG will continue in the future to pursue its successful strategy of earnings-oriented growth with its own resources and by way of acquisition. Due to the strong expansion in the Wire & Cable Solutions division, the proportion of business that LEONI generates from sales to customers in the motor vehicle industry is likely to contract further this year. As planned, LEONI is thereby placing its business on a broader footing and will be able to tap additional growth opportunities in markets outside the automotive industry.

Nuremberg, 28 February 2007
The Management Board

Dr Klaus Probst   Dieter Bellé   Uwe H. Lamann

Studer Draht- und Kabelwerk AG

Halogen-free, fire-resistant cables



Notes

*) absolutely safe

The highest fire safety standards apply wherever many people congregate on a daily basis – in offices, train stations and airports; in trains, trams and underground trains as well on ferries and cruise ships; or even where they just spend a brief time, such as in road tunnels. This applies especially to the cables fitted in such cases, which must ensure sufficient operatability even in the event of a fire.

The insulation of these cables must not release any corrosive or poisonous gases in a fire, and it must withstand for as long as the electrical equipment needed to evacuate people has to function, until even the last person has been brought to safety. Nothing can be left to chance, especially not with respect to the cables.

With Studer, its new Swiss subsidiary, LEONI is able to supply particularly safe cables with international approvals for infrastructure applications as well as for traffic and building engineering.

LEONI AG Consolidated income statement

IFRS

€ '000 01/01 to 12/31	Notes	2006	2005
Sales		2,108,244	1,547,973
Cost of sales		(1,702,378)	(1,212,790)
Gross profit on sales		**405,866**	**335,183**
Selling expenses		(112,671)	(83,119)
General and administration expenses		(96,948)	(98,273)
Research and development expenses		(47,158)	(41,864)
Other operating income		6,067	15,774
Other operating expenses	[6]	(24,749)	(25,534)
Operating income		**130,407**	**102,167**
Interest income		1,966	795
Interest expenses		(20,376)	(15,559)
Foreign currency exchange gains and losses		4,501	726
Income/expenses from associated companies and joint ventures	[7]	(174)	662
Other income from share investments		275	39
Income before taxes		**116,599**	**88,830**
Income taxes	[8]	(37,274)	(32,737)
Net income		**79,325**	**56,093**
attributable to Equity holders of the parent		78,537	56,261
Minority interest		788	(168)

Earnings per share (basic and diluted) in €	[27]	2.64	1.89
Weighted average shares outstanding (basic and diluted)	[27]	29,700,000	29,700,000

LEONI AG Consolidated statement of cash flows

€ '000 01/01 to 12/31	2006	2005
Net income	79,325	56,093
Adjustments to reconcile cash provided by operating activities:		
Depreciation and amortization	63,055	56,315
Impairment charges/reversals	1,200	422
Deferred taxes	8,186	8,045
Other non-cash expenses and income	174	(897)
Negative goodwill	0	(2,834)
(Gain)/loss on disposal of non-current assets	(170)	(597)
Change in operating assets and liabilities:		
Change in receivables	(69,083)	(16,911)
Change in inventories	(57,119)	(38,634)
Change in other assets	(12,595)	(13,808)
Change in provisions and accruals	1,830	11,995
Change in liabilities	121,296	51,882
Cash provided by operating activities	**136,099**	**111,071**
Capital expenditures for intangible assets	(4,212)	(6,293)
Capital expenditures for property, plant and equipment	(72,772)	(55,534)
Acquisitions of subsidiaries	(110,281)	(15,761)
Acquisitions of associated companies	0	(1,888)
Other capital expenditures for financial assets	(858)	(4,223)
Proceeds from disposal of non-current assets	2,392	1,776
Cash used for capital spending activities	**(185,731)**	**(81,923)**
Cash receipts from acceptance of financial liabilities	206,741	52,094
Cash repayments of financial liabilities	(122,026)	(48,118)
Cash receipts from minority shareholders	0	420
Dividend payment	(16,929)	(12,375)
Dividend paid to minority shareholders	0	(90)
Cash provided by/used for financing activities	**67,786**	**(8,069)**
Increase in cash and cash equivalents	18,154	21,079
Change in cash and cash equivalents due to acquisitions	4,355	1,015
Currency adjustment	(881)	788
Cash and cash equivalents at beginning of period	114,110	91,228
Cash and cash equivalents at end of period	135,738	114,110

IFRS

See Note [26] for explanations of the Cash Flow Statement.

LEONI AG Consolidated balance sheet

IFRS

Assets € '000	**Notes**	**12/31/2006**	**12/31/2005**
Current assets			
Cash and cash equivalents		135,738	114,110
Accounts receivable and other assets	[9]	361,106	252,854
Receivables from income taxes		11,893	4,193
Assets held for sale	[10]	4,728	486
Inventories	[11]	330,856	244,084
Total current assets		**844,321**	**615,727**
Property, plant and equipment	[12]	397,080	336,498
Intangible assets	[13]	26,687	20,016
Goodwill	[14]	65,431	39,981
Shares in associated companies and joint ventures	[15]	1,875	3,343
Other financial assets	[16]	9,915	10,944
Deferred taxes	[8]	13,069	14,525
Other assets	[17]	12,850	12,331
Total assets		**1,371,228**	**1,053,365**

Equity and liabilities € '000	**Notes**	**12/31/2006**	**12/31/2005**
Current liabilities			
Current financial liabilities	[18]	48,592	139,975
Income taxes payable		51,884	29,195
Other current liabilities	[19]	336,795	220,598
Provisions	[20]	20,823	16,677
Total current liabilities		**458,094**	**406,445**
Long-term loans	[18]	324,058	141,624
Other non-current liabilities		4,754	4,706
Pension provisions	[21]	36,262	33,660
Other provisions	[20]	22,932	18,891
Deferred taxes	[8]	43,427	20,887
Equity			
Share capital	[22]	29,700	29,700
Additional paid-in capital	[22]	170,381	170,381
Retained earnings	[22]	274,229	212,621
Accumulated other comprehensive income	[22]	5,030	12,047
Minority interests	[22]	2,361	2,403
Total equity		**481,701**	**427,152**
Total equity and liabilities		**1,371,228**	**1,053,365**

LEONI AG Consolidated statement of changes in equity

€ '000	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income: Cumulative translation adjustments	Accumulated other comprehensive income: Available-for-sale investments	Accumulated other comprehensive income: Cash flow hedges	Group interests	Minority interests	Total equity
1 January 2005	**29,700**	**170,381**	**168,735**	**288**	**(123)**	**(4,167)**	**364,814**	**89**	**364,903**
Net income			56,261				56,261	(168)	56,093
Other comprehensive income				15,684	432	(67)	16,049	65	16,114
Total comprehensive income							*72,310*	*(103)*	*72,207*
Dividend payment			(12,375)				(12,375)	0	(12,375)
Increase in minority interests							0	2,417	2,417
31 December 2005	**29,700**	**170,381**	**212,621**	**15,972**	**309**	**(4,234)**	**424,749**	**2,403**	**427,152**
1 January 2006	**29,700**	**170,381**	**212,621**	**15,972**	**309**	**(4,234)**	**424,749**	**2,403**	**427,152**
Net income			78,537				78,537	788	79,325
Other comprehensive income				(9,422)	0	2,405	(7,017)	(114)	(7,131)
Total comprehensive income							*71,520*	*674*	*72,194*
Dividend payment			(16,929)				(16,929)	0	(16,929)
Decrease in minority interests							0	(716)	(716)
31 December 2006	**29,700**	**170,381**	**274,229**	**6,550**	**309**	**(1,829)**	**479,340**	**2,361**	**481,701**

See Note [22] for explanations of the equity.

General and accounting principles

[1] General principles

LEONI AG („LEONI", the „Group" or the „Company") was founded on 23 April 1917 in Germany under the name of Leonische Werke Roth-Nürnberg, Aktiengesellschaft and was listed in the Commercial Register on 2 February 1918. LEONI AG is registered with the Nuremberg local court, number HRB 202. The Company is based in Nuremberg, at Marienstrasse 7. The Group's principal activities are described in Note [25].

LEONI is, pursuant to Article 4 of Directive (EU) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 concerning the adoption of international accounting standards, obliged to prepare its consolidated financial statements since 31 December 2005 in accordance with International Financial Reporting Standards (IFRS) and the associated interpretations (SIC/IFRIC interpretations) so far as these have been endorsed for application in the European Union (EU). The term IFRS also covers the still valid International Accounting Standards (IAS).

The consolidated financial statements on 31 December 2006 of LEONI AG and its subsidiaries have been prepared in euros with the IFRS endorsed in the EU. Except where stated otherwise, all amounts are presented in thousands of euros (€ '000). The balance sheet is structured by term, while the income statement is prepared using the function of expense method. Where the balance sheet and income statement are summarised to improve clarity of presentation, they are shown separately in the Notes.

The Management Board authorised the presented consolidated financial statements for the year ended 31 December 2006 for issue on 28 February 2007.

The complete consolidated financial statements including the list of shareholdings pursuant to § 287 and § 313 Section 3 of the German Commercial Code will be published in the electronic commercial register under number HRB 202.

[2] Consolidation, valuation and accounting methods

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets that have been measured at fair value.

Principles of consolidation

The consolidated financial statements include the accounts of LEONI AG and of all associated companies in which LEONI directly or indirectly holds the majority of voting rights (subsidiaries). Equity investments are accounted for using the equity method wherever significant influence over the operating and financial policies can be exerted; this is principally in instances where LEONI holds between 20 and 50 percent of the voting rights (associates). Joint venture companies are also measured under the equity method. A joint venture involves the establishment of a separate company in which each venturer has an interest. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The financial statements of the subsidiaries as well as the associates and the joint ventures are prepared using uniform accounting policies on the same balance sheet date as the financial statements of the parent company.

Subsidiaries are fully consolidated from the time of acquisition, i.e. from the time when the Group has acquired control over the subsidiary. Inclusion in the consolidated financial statements ends as soon as LEONI no longer has control.

All business combinations are accounted for under the purchase method. According to this method, the purchase price has been allocated to the fair value of the interest held in the net assets of the consolidated subsidiaries at the time of acquisition. In doing so, all identifiable assets, liabilities and contingent liabilities are adopted at fair value and recognised accordingly in the consolidated balance sheet. After adjustments to the fair values of assets acquired and liabilities assumed are made, any resulting positive difference is capitalised in the balance sheet as goodwill. Situations in which the fair value of net assets is greater than the purchase price paid result in a negative difference. In the event that such a difference remains following reassessment of the allocation of the purchase price or determining the fair value of acquired assets, liabilities and contingent liabilities, this is recognised as income immediately. The proportion of assets, liabilities and contingent liabilities of the subsidiary applicable to minority interest are also adopted at fair value. Yet goodwill is reported only to the extent that it applies to the Group and is not extrapolated to minority interest.

According to IFRS 3, Business Combinations, goodwill is no longer amortised over its useful life, but is according to IAS 36 subjected to an impairment test at least once a year, which may lead to an impairment loss (impairment-only approach).

Receivables and liabilities between the consolidated companies as well as intercompany results, expenses and income have been eliminated.

Intercompany gains on assets and inventories have likewise been eliminated.

The companies accounted for under the equity method are valued with their purchase price on the acquisition date, which is increased or reduced respectively in the subsequent periods for any changes in net assets of the company such as the proportionate share of net income or loss and by received dividends. The proportionate net income or loss is determined using the accounting policies described in this Note. In line with the treatment of fully consolidated subsidiaries, the goodwill of companies accounted for under the equity method are no longer amortised either. Instead of a test for impairment of equity method goodwill, the whole investment is reviewed for impairment according to IAS 36.

Foreign currency translation

These consolidated financial statements are prepared in the presentation currency, the euro, which is the functional currency of the group parent company, LEONI AG. The financial statements of the foreign subsidiaries included in the consolidated financial statements with a functional currency other than the euro, are, under IAS 21, translated into the Group currency, the euro, according to the functional currency concept. The financial statements prepared in the respective functional currency of the subsidiary are translated using the closing rate method, i.e. the assets and liabilities are translated from the functional currency to the presentation currency at the closing exchange rate on the balance sheet date, while the statements of income are translated using annual average exchange rates. Any differences arising from the translation of assets and liabilities compared with the previous year's translation as well as translation differences between the income statement and the balance sheet are recorded separately under the item „accumulated other comprehensive income" within equity and accordingly have no effect on net income.

Transactions denominated in currencies other than the functional currency in the individual financial statements are translated at the current exchange rate at the time of the transaction and adjusted to the closing exchange rate at each balance sheet date.

Any resulting currency fluctuation is recognised in the income statement.

The exchange rates of the companies material to the consolidated financial statements have changed as follows:

Exchange rate at balance sheet date (1 euro in foreign currency units)

Country	Currency	ISO Code	12/31/2006	12/31/2005
China	renminbi yuan	CNY	10.2915	9.5515
United Kingdom	pound	GBP	0.6714	0.6870
Mexico	peso	MXN	14.3200	12.6100
Poland	zloty	PLN	3.8413	3.8686
Slovakia	crown	SKK	34.3850	37.8700
South Africa	rand	ZAR	9.2150	7.4890
USA	dollar	USD	1.3181	1.1834

Annual average exchange rate (1 euro in foreign currency units)

Country	Currency	ISO Code	2006	2005
China	renminbi yuan	CNY	10.0116	10.2232
United Kingdom	pound	GBP	0.6823	0.6850
Mexico	peso	MXN	12.7246	13.4775
Poland	zloty	PLN	3.9044	4.0371
Slovakia	crown	SKK	37.1162	38.5862
South Africa	rand	ZAR	8.5425	7.8687
USA	dollar	USD	1.2569	1.2477

Revenue recognition

Revenues are generated mainly from the sale of products. Pursuant to IAS 18, sales revenues are generally recognised net of value added tax (VAT) upon delivery of products to the customer or upon fulfilment of service contracts. Delivery has occurred when the risks and rewards associated with ownership have been transferred to the buyer. Provisions for customer rebates and discounts as well as for returns and other adjustments are generally provided for in the same period the related sales are recorded. Fulfilment of service contracts occurs when substantially all performance obligations have been met. In the case of long-term development contracts, revenues are recognised according to the stage of completion provided that the contracts meet the conditions for applying the percentage-of-completion method pursuant to IAS 11.

Research and development costs

Research costs are expensed as incurred.

Development costs are expensed as incurred unless they relate to customer-specific development contracts accounted for pursuant to IAS 11, or they meet the criteria of IAS 38 for capitalisation as intangible assets. Pursuant to IAS 11 for customer-specific development contracts that meet the corresponding conditions the percentage-of-completion method is applied. The capitalised amount is disclosed under accounts receivable. The percentage of completion is determined according to the ratio of total costs to costs incurred (cost-to-cost method). The income from development contracts is reported under sales in the income statement.

Earnings per Share

Earnings per share are computed in accordance with IAS 33, Earnings per Share. The basic earnings per share are computed by dividing consolidated net income attributable to the LEONI shareholders by the weighted average of the number of ordinary shares outstanding during the relevant period. The diluted earnings per share are computed by dividing consolidated net income attributable to the LEONI shareholders by the total of the weighted average number of ordinary shares outstanding, plus the weighted average number of securities that can be converted into ordinary shares. There was no dilution in the reporting periods presented.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cheques and immediately disposable bank deposits with an original maturity of three months or less. Cash is recognised at par value.

Receivables

Receivables are recorded at their amortised cost. Valuation allowances are made when receivables are uncollectible or probably uncollectible and a reliable estimate of the valuation allowance can be made. Trade receivables with usual payment terms, which normally do not exceed twelve months, are therefore recognised at the nominal amount, less appropriate allowances. Receivables that do not bear interest or bear below market interest rates and have an expected term of more than one year are discounted with the discount subsequently amortised to interest income over the term of the receivable. The Group sells trade accounts receivable within a factoring agreement. The receivables are derecognised when the Group has transferred its contractual rights to receive the cash flows from the financial assets and substantially all the risks and rewards incident to ownership have been transferred, or alternatively when control of the asset has been transferred.

Inventories

Inventories encompass raw materials, production supplies and goods purchased as well as work in progress and finished goods. They are stated at the lower of cost and the net realisable value. Raw materials, production supplies as well as goods purchased are evaluated at cost using the weighted average cost formula or at the lower net realisable value. The net realisable value is computed based on the estimated selling price in the normal course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of conversion of work in progress and finished products comprise, alongside the direct costs of production material and production wages, proportionate material and production overhead costs based on standard capacity.

Non-current assets held for sale

If non-current assets are classified as held for sale, depreciation is ceased and the Company determines the fair value of such assets. If the fair value of the assets held for sale, less the selling costs, is less than the net carrying amount of the assets, a write-down is made on the fair value, less the selling costs.

Property, plant and equipment

Property, plant and equipment is valued at costs less accumulated depreciation. Attributable borrowing costs are capitalised as part of the cost of a qualifying asset pursuant to IAS 23. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. Immovable assets are mostly depreciated on a straight-line basis and movable assets are, depending on their type of use, depreciated using either the straight-line method or, if so required by their actual use, the declining method. When carrying out larger-scale maintenance, the costs are recognised in the carrying amount of the item of property, plant or equipment, provided that recognition criteria are met.

The following useful lives are assumed for depreciation:

Buildings and facilities	max. 40 years
Machinery and equipment	max. 12 years
Factory and office equipment	2 – 10 years
Computer hardware	3 – 5 years

Leased installations are depreciated on a straight-line basis over the respective shorter period of the term of the lease or the estimated ordinary useful life.

The residual values of the assets, useful lives and depreciation methods are reviewed at the end of the financial year, and if necessary adjusted.

Leases

Leases are classified as either finance or operating. Leasing transactions whereby LEONI is the lessee and bears all substantial risks and rewards typical of ownership from use of the leased asset are accounted for as finance leases. Accordingly, the Group capitalises the leased asset and records the corresponding lease obligation on the balance sheet. All other leasing agreements entered into by LEONI, as a lessee, are accounted for as operating leases. The lease payments are expensed on a straight-line basis over the lease term.

Intangible assets (including goodwill)

Intangible assets consist of goodwill, patents, software, licenses and similar rights, as well as customer relationships and technology acquired in the context of business combinations. An intangible asset that results from development expenditure is capitalised if a newly developed product or process can be clearly defined, is technically feasible and is intended for either own use or for sale. Capitalisation also assumes that the development expenses can with a sufficient degree of likelihood be covered with future inflow of cash and cash equivalents and the other IAS 38.57 criteria are met.

According to IAS 38, intangible assets with a finite useful life must be amortised over useful life. The Company therefore, in accordance with these requirements, amortises delivery rights and development costs capitalised as assets in line with expected sales and other intangible assets with a finite useful life have been amortised on a straight-line basis over their useful lives to their estimated residual values. Other intangible assets with a finite useful life are mainly software licenses with an estimated useful life of three years as well as customer relationships with useful lives of three to six years and technology with a useful life of ten years, in both cases acquired in the context of business combinations. The amortisation method and the amortisation period for an intangible asset with a finite useful life are reviewed at the end of each financial year.

According to IAS 38, intangible assets with an indefinite useful life have no longer been amortised; instead such intangible assets must, according to IAS 36, be reviewed for impairment at least annually and written down to their lower recoverable amount. On the balance sheet date at all periods presented LEONI did not record any intangible assets other than goodwill with an indefinite useful life.

Goodwill is also not amortised; instead it is in line with the requirements of IAS 36 reviewed for impairment at least annually under a one-step test approach. This involves testing the goodwill at the level of the cash-generating unit to which it is allocated by comparing the carrying amount of the cash-generating unit with the recoverable amount. Impairment has occurred if the carrying amount exceeds the recoverable amount, requiring a write-down to the recoverable amount. The recoverable amount corresponds to the higher of the two amounts from the fair value less cost to sell and value in use. The value in use of a cash-generating unit is defined as the present value of projected cash flows to the Company from the cash-generating unit. Later reversal based on disappearance of the reason for the impairment is not permitted.

Impairment testing of intangible assets with finite life and property, plant and equipment
An assessment is made at each balance sheet date whether there are any indications that an impairment loss may have occurred. If there are such indications, the recoverable amount of the asset is determined and compared with its carrying amount. If the recoverable amount is lower than the carrying amount, an impairment loss is recognised on the lower recoverable amount. The recoverable amount is the higher of the two amounts from the fair value less cost to sell and value in use. The latter is the present value of future cash flows that can probably be derived from the asset. If the reasons for applying the impairment charge have disappeared, the write-down on the asset is reversed. Such reversal is limited to the amount that would have resulted without impairment.

Regardless of whether there is evidence of impairment, a corresponding test for impairment is applied once a year to both intangible assets that are not yet ready for use and intangible assets with an indefinite useful life.

Investments in associated companies, joint ventures and other investments
Shares in associated companies and in joint venture companies are accounted for under the equity method. All other reported financial assets are subject to the requirements of IAS 39. Equity securities reported under this item are classified as available for sale. They must therefore be reported at their fair value. The gains or losses resulting from valuation at fair value are recorded separately as accumulated other comprehensive income within equity. If there is impairment other than temporary, this will result in a write-down in the statement of income with effect on earnings. Later reversal cannot be included in earnings, but is recorded as accumulated other comprehensive income. Provided that there is no quoted market price in an active market for investments in equity instruments and that their fair value cannot be reliably measured, they are carried at acquisitions cost. A write-down to the present value of the future cash flows is made in the case of a decline in value other than temporary.

Pension and other post-employment benefits
The valuation of defined-benefit pension obligations is based upon actuarial computations using the projected-unit-credit method in accordance with IAS 19. Changes in the actuarial assumptions or differences between the actual development and the original assumptions as well as gains or losses on plan assets as a difference between the actual and expected return on plan assets are amortised over the average remaining service period of active employees expected to receive benefits under the plan, if a corridor of ten percent of the present value of defined benefit obligation (DBO) or ten percent of the fair value of plan assets is exceeded. Past service cost is expensed on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a pension plan, an enterprise should recognise past service cost immediately.

Other provisions
Other provisions are recorded when a present legal or constructive obligation to a third party has been incurred from past events, the payment is probable and the amount can be reasonably estimated. The provisions are valued according to IAS 37 with the best estimate of the amount of the obligation. Where provisions do not become due until after one year and a reliable estimate of the payment amounts and dates is possible, the present value for the non-current proportion is determined on a discounted basis.

Obligations to dispose of an asset and to re-cultivate its site or similar obligations must first be recognised as a component of acquisition and production costs and simultaneously recognised as a provision. In the subsequent periods this amount added to the asset is to be depreciated over its residual useful life. The payment obligation or provision is accreted to its present value at the end of each period.

Restructuring provisions are recognised when the constructive obligation has arisen according to the criteria under IAS 37.72.

Accruals are no longer reported under provisions, but rather under liabilities. Accruals are liabilities to pay for goods or services that have been received but have not been paid or invoiced by the supplier. The corresponding figures for the previous year were therefore reclassified to liabilities for the purpose of comparability. The previous year's amounts reclassified are explained in Note [20].

Liabilities

Current liabilities are recorded at either their repayment or settlement value. Non-current liabilities are recorded at their amortised cost.

Accruals are also reported under liabilities. Accruals are liabilities to pay for goods or services that have been received but have not been paid or invoiced by the supplier.

Deferred taxes

The Company applies IAS 12, Income Taxes. According to the balance sheet liability method of IAS 12, deferred tax assets and liabilities are recognised for all temporary differences, apart from the exceptions under IAS 12.15 and IAS 12.24, between the financial statement's carrying amounts of existing assets and liabilities and their respective tax bases as well as for loss carryforwards („temporary concept"). Deferred taxes are measured using the currently enacted tax rates in effect during the periods in which the temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax law is recognised in the period that the law is enacted. Deferred tax assets are applied only to the extent that it is more likely than not that the tax benefit will be realised.

Income taxes referring to items that are recognised directly in equity are also recognised in equity and not in the income statement.

Derivative financial instruments

According to IAS 39, all derivative financial instruments entered into by the LEONI Group are recorded at fair value as either assets or liabilities on the balance sheet date. In general, the Group recognises the changes in fair value of derivative financial instruments as earnings. However, the Group records changes in fair value of foreign currency derivatives used to hedge anticipated foreign currency denominated cash flows on firm commitments and forecast transactions in accumulated other comprehensive income on the balance sheet without impact on net income until the hedged item is recognised in earnings when the requirements of the standard to apply cash flow hedge accounting are met. The reclassification from accumulated other comprehensive income into earnings occurs in the same period as the underlying transaction takes place and has effect on net income. The ineffective portions of the fair value changes of those derivatives are recognised in earnings immediately. The fair value changes of interest rate derivatives designated to hedge non-current liabilities subject to interest rate fluctuation are also recognised in accumulated other comprehensive income without

affecting earnings if they meet the requirements to apply cash flow hedge accounting. The amounts recorded in this account subsequently lead to the interest expenditure from the relevant underlying transaction recorded in the income statement being balanced.

Regular way purchases or sales of financial assets are recognised and derecognised at settlement date.

Cash Flow Statement

The cash flow statement is classified by operating, investing and financing activities in accordance with IAS 7. The line item „other non-cash expenses and income" comprises undistributed income from companies valued under the equity method. Effects of changes in the scope of consolidation have been eliminated from the items in the three classification areas. This also applies to valuation changes due to exchange rate fluctuation, whose impact on cash and cash equivalents is separately disclosed.

Segment reporting

The Company's segment reporting is prepared in accordance with International Accounting Standard 14. Within LEONI Group, output determines the primary basis of segment reporting. Segmentation by business and region is based on internal financial reporting. The segment result is earnings before interest and taxes (EBIT) and is based on operating earnings plus income from associated companies and joint ventures less expenses from associated companies and joint ventures.

Key judgments and estimates

Estimates and assumptions or judgments must be made in some cases in order to prepare the consolidated financial statements in accordance with IFRS. These have an influence on the amounts of assets, liabilities and contingent liabilities stated on the balance sheet date as well as when reporting expenses and income. Actual results could differ from such estimates.

Key assumptions concerning the future as well as other key sources of estimation uncertainty at the balance sheet date, which present a risk that material adjustment to the carrying amounts of the assets and liabilities will be necessary within the next financial year, are made during the annual impairment test of goodwill as well as, in the case of testing non-current assets for impairment, based on their value in use. To estimate the value in use the Group must estimate the probable future cash flows of the cash-generating unit to which the goodwill or non-current asset relates, and moreover choose a reasonable interest rate to compute the present value of these cash flows.

Moreover, management must, with respect to accounting for capitalised deferred taxes relating mainly to unused loss carryforwards, make estimates and judgments concerning future tax planning strategies, the expected timing and the amount of taxable profit available in the future for use of the loss carryforwards.

The pension expense pertaining to defined benefit plans post employment is determined based upon actuarial computations. These measurements are based on assumptions and judgments with respect to discount rates, expected return on plan assets, future wage and salary increases, mortality and future pension increases. Due to the non-current nature of such plans, such estimates are subject to material uncertainties.

[3] New accounting requirements

The following accounting requirements that have been endorsed for application in the European Union (EU) were not applied because application will only become obligatory in future periods:

IFRS 7, Financial Instruments: Disclosures, summarises the existing disclosure requirements under IAS 32 (Financial Instruments: Disclosure and Presentation) and replaces the disclosure requirements of IAS 32 as well as all the rules under the previous IAS 30 (Disclosures in the Financial Statements of Banks and Similar Financial Institutions). The existing requirements have also been revised. This standard must be applied to financial years beginning on or after 1 January 2007.

IAS 1, Presentation of Financial Statements, has been supplemented with capital management disclosure requirements (IAS 1 Amendment – Capital disclosures). These amendments must be applied to financial years beginning on or after 1 January 2007 and require qualitative as well as quantitative disclosures relating to the group's objectives, policies and processes for managing capital, which enable the users of financial statements to evaluate the capital management.

IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies, requires application of IAS 29, Financial Reporting in Hyperinflationary Economies, in the reporting period in which an entity first identifies the existance of hyperinflation in the economy of its functional currency. IAS 29 must in every case be applied as though hyperinflation had always prevailed in that economy. IFRIC 7 is to be applied to financial years beginning on or after 1 March 2006.

IFRIC 8, Scope of IFRS 2, clarifies that IFRS 2, Share-based Payment, will apply to any arrangement when equity instruments are granted or liabilities (based on a value of an entities equity instrument), are incurred by an entity when the identifiable consideration appears to be less than the fair value of the granted equity instruments. IFRIC 8 must be applied to financial years beginning on or after 1 May 2006.

IFRIC 9, Reassessment of Embedded Derivatives, requires assessment at the time when the company first becomes a contracting party whether the contract involves an embedded derivative instrument that should be seperated from the host contract and accounted for as a derivative separately. IFRIC 9 stipulates that reassessment is not permitted unless the contract is modified in such a way that this has a material effect on cash flows. This IFRIC interpretation is to be applied to financial years beginning on or after 1 June 2006.

The Group is currently assessing the impact of these new accounting requirements on its financial position, performance and changes in financial position.

[4] Scope of consolidation

Along with LEONI AG, the consolidated financial statements account for 24 companies in Germany and 53 companies outside Germany in which LEONI AG is entitled, either directly or indirectly, to a majority of the voting rights.

Number of fully consolidated companies	12/31/2006	12/31/2005
Germany	25	22
Outside	53	49
Total	78	71

The newly established Chinese subsidiary LEONI Electrical Systems (Shanghai) Co. Ltd. of the Wiring Systems division was included in the scope of consolidation at the beginning of the financial year as well as two new companies set up within the Wire & Cable division during the financial year. The latter two are the Indian sales company LEONI Specials Cables (India) Private Limited based in Mumbai, which began operating on 10 May 2006, and the Chinese subsidiary Kerpen Cable (Shanghai) Co. Ltd based in Shanghai, which started its sales activity in early 2006. Moreover, the UK distribution company Kerpen Special Limited is included within the scope of consolidation.

The Spanish company Representaciones Europeas Manich S.L. (REM) was dissolved in the 2006 financial year after its business was transferred to LEONI Special Cables Iberica S.A. based in Barcelona; likewise the Chinese company LEONI (Changzhou) Electronics Co. Ltd. after its activity was transferred to LEONI Cable (Changzhou) Co. Ltd. LEONI Bordnetze Holding GmbH was merged into LEONI Bordnetz-Systeme GmbH, based in Kitzingen.

Acquisitions and disposals are explained under Note [5] of the text.

The associates and joint ventures include the newly formed US joint venture Rosenberger LEONI Site Solution, L.L.C. of the Wire & Cable division. Acquisition of Studer Draht- und Kabelwerk AG involved consolidation in full of LEONI & STUDER Transportation Systems GmbH, the Röttenbach-based joint venture established in 2005, in LEONI's consolidated financial statements, and it has therefore been excluded from the scope of joint ventures effective at the time of acquisition. The shares in associated company Netoptic GmbH based in Fichtenau were sold during the financial year.

A complete list of the fully consolidated companies as well as of the associates and joint ventures on 31 December 2006 is shown at the end of these notes.

[5] Acquisitions and disposals

Taking legal effect on 1 February 2006, the Group acquired, mainly via the newly established Kerpen CTI GmbH based in Stolberg and in which the Group had a 75 percent holding at the time, the business operation of CTI Netzwerksysteme GmbH based in Altdorf at a price of € 992k. The acquired business operation encompasses passive wiring projects, passive components and patented solutions for IT wiring in buildings. LEONI will thus in future be able to enhance its German LAN business with complete system solutions.

On 28 July 2006, LEONI acquired all the shares in LEONI HighTemp Solutions GmbH. The company develops and produces high temperature cable based on application-specific insulation materials.

The fair values of the identifiable assets and liabilities arising from acquisition of the business operations of CTI Netzwerksysteme GmbH and of LEONI HighTemp Solutions GmbH were as follows on the date of acquisition:

€ '000	Recognised at acquisition	Carrying amount
Intangible assets	617	27
Property, plant and equipment	103	103
Inventories	311	311
Other assets	18	18
	1,049	459
Liabilities	121	121
	121	121
Fair value of net assets	928	**338**
Goodwill	109	
Acquisition costs	**1,037**	

The acquired activity added € 4,647k to consolidated sales and involved a negative amount of € 416k with respect to net income. Had the acquisition taken place at the beginning of the financial year, consolidated sales would have amounted to € 2,108,744k, with consolidated net income amounting to € 79,214k.

On 18 December 2006, finally, the Group acquired the outstanding shares in Kerpen CTI GmbH at a price of € 117k, which resulted in additional goodwill of € 17k.

On 31 July 2006, LEONI acquired all the shares in Studer Draht- und Kabelwerk AG based in Däniken, Switzerland. The cost of acquisition amounted to € 104.3 million, which includes transaction costs of € 0.3 million.

On one side, Studer produces and distributes halogen-free standard cables, as well as mostly flame-retardant and temperature-resistant special cables. It provides both cable solutions and systems solutions tailored to meet customer requirements. On the other side, the company is one of the most significant European providers for sterilisation and physical networking of industrial products. Studer AG and its German subsidiary were first consolidated on 31 July 2006, resulting in reported goodwill of € 22 million as there were no other identifiable assets or liabilities meeting the recognition criteria than those applied from the date of acquisition, the fair values of which were as follows on the date of acquisition:

€ '000	Recognised at acquisition	Carrying amount
Intangible assets	8,674	1,559
Land and buildings	25,085	22,856
Other property, plant and equipment	21,675	20,052
Shares in joint ventures	0	369
Other investments	208	776
Inventories	27,524	24,862
Receivables	31,564	31,203
Cash and cash equivalents	3,986	3,986
Other assets	2,443	1,412
	121,159	107,075
Financial liabilities	3,514	3,514
Deferred taxes	13,533	10,080
Pension provisions	4,138	7,101
Other provisions	4,546	3,480
Liabilities	13,111	12,773
	38,842	36,948
Fair value of net assets	82,317	**70,127**
Goodwill	22,026	
Acquisition costs	**104,343**	

Acquisition of Studer Draht- und Kabelwerk AG also involved consolidation in full of LEONI & STUDER Transportation Systems GmbH, the Röttenbach-based joint venture, in LEONI's consolidated financial statements. Until this time, the shares held by the Group were shown under associates and joint ventures, and were accounted for under the equity method.

Studer and the joint venture contributed € 55,206k to consolidated sales and € 3,781k to consolidated net income. Had the business acquisition taken place at the beginning of the financial year, consolidated sales would have come to € 2,174,521k with consolidated net income amounting to € 86,760k. Measurement of the contribution to consolidated net income is based on consideration of the fair values of assets and liabilities applied from the date of acquisition.

On 6 October 2006, LEONI acquired all the shares in NBG Fiber-Optic GmbH based in Gmünd, Austria. The company develops, produces, distributes and installs telecommunications and data network solutions based on fiber optics. The cost of acquisition amounted to € 2,563k, which includes transaction costs of € 77k. Initial consolidation at the time of acquisition resulted in goodwill of € 2,266k as there were no other identifiable assets or liabilities meeting the recognition criteria than those applied from the date of acquisition, the fair values of which were as follows on the date of acquisition:

€ '000	**Recognised at acquisition**	**Carrying amount**
Intangible assets	704	213
Property, plant and equipment	369	369
Inventories	1,437	1,437
Deferred taxes	509	11
Receivables	2,859	2,859
Cash and cash equivalents	5	5
Other assets	472	472
	6,355	5,366
Financial liabilities	2,822	2,822
Pension provisions	188	188
Other provisions	25	25
Liabilities	3,023	3,023
	6,058	**6,058**
Fair value of net assets	297	
Goodwill	2,266	
Acquisition costs	**2,563**	

NBG Fiber Optic GmbH's contribution to consolidated sales amounted to € 3,385k and the business incurred a loss of € 374k in the net result. Had the business acquisition taken place at the beginning of the financial year, consolidated sales would have come to € 2,118,167k with consolidated net income amounting to € 79,039k.

Four acquisitions were made in the Wire & Cable division in the previous year.

On 10 January 2005, the Group acquired all the shares in the Spanish company Representaciones Europeas Manich S.L. at a price of € 220k. In the 2005 financial year, the company contributed € 587k to consolidated sales and incurred a loss of € 40k in the net result.

Notes to the consolidated income statement

On 2 February 2005, LEONI acquired the fiber technology arm of PRINZ Optics GmbH, based in Stromberg, at a price of € 1.6 million. In the 2005 financial year, its contribution to consolidated sales amounted to € 2,028k and the contribution to consolidated net income was € 25k.

On 1 July 2005, the Group acquired all the shares in neumatic Elektronik + Kabeltechnik GmbH & Co. KG, based in Ulm, and 90 percent of the shares in its affiliate Neumatic c.z. s.r.o., based in Turnov, Czech Republic, at a price of € 3.6 million. The two companies contributed € 5,224k to consolidated sales and € 265k to consolidated net income in the 2005 financial year. Had the merger taken place at the beginning of the 2005 financial year, 2005 consolidated sales would have amounted to € 1,558,058k, with consolidated net income amounting to € 56,456k.

The two Stolberg-based companies of Kerpen GmbH & Co. KG and Kerpen Verwaltungs-GmbH acquired in the previous year for € 10.1 million were first consolidated on 31 December 2005. The negative goodwill in the amount of € 4.2 million before tax resulting from initial consolidation as well as the related tax expense of € 1.4 million were recognised in the income statement for 2005, putting the acquired companies' contribution to 2005 consolidated net income at € 2.8 million. As the companies were first consolidated at the end of the 2005 financial year, there was no contribution to 2005 consolidated sales. Had the acquisition taken place at the beginning of the 2005 financial year, consolidated sales would have come to € 1,663 million with consolidated net income amounting to € 57.9 million in the previous year.

The only disposal in the previous year was that of associated French company Usine Gallia S.A. based in Saint Jean de Bournay. The gain on disposal was € 70k.

[6] Other operating expenses

The other operating expenses include restructuring expenses amounting to € 11,604k (€ 12,404k in the previous year). Along with transfers to restructuring provisions (cf. explanations in Note [20] in this regard), this involved mainly current expenses for employee termination payments. The expenses break down to € 551k for the Wire & Cable division and € 11,053k for the Wiring Systems division.

Furthermore, the other operating expenses include exchange losses from operating business activity in the amount of € 6,762k (previous year: € 3,477k). Together with the exchange gains from financing transactions amounting to € 4,501k, this leaves an exchange loss totalling € 2,261k (previous year: € 2,751k).

[7] Income/expenses from associates and joint ventures

€ '000	**2006**	**2005**
Income from associated companies and joint ventures	301	982
Expenses from associated companies and joint ventures	(475)	(320)
	(174)	**662**

[8] Income taxes

Taxes on income including deferred taxes break down as follows for fiscal 2006 and fiscal 2005:

€ '000	**2006**	**2005**
Current taxes	29,088	24,692
Deferred taxes	8,186	8,045
Income taxes	**37,274**	**32,737**

For German companies, the deferred taxes on 31 December 2006 are, as in the previous year, calculated using a corporate tax rate of 25 percent for all temporary differences. Again included was a solidarity surcharge of 5.5 percent (previous year: 5.5 percent) on the corporate tax payable plus an average trade tax rate of 15.7 percent (previous year: 14.4 percent). Including the impact of the solidarity surcharge and the trade tax, the tax rate applied to calculate deferred taxes for German companies thus amounts to 37.9 percent (previous year: 37.0 percent). For non-German companies the country-specific, respective tax rates have been used.

Changes in the German tax rate due to the increase in the average corporate tax rate in 2006 and changes in foreign tax rates in the financial year were, as in the previous year, each recorded with an effect on earnings and each taken into account in the tax reconciliation.

The following table reconciles the statutory income tax expense to the effective income taxes presented in the financial statements for the respective financial year. For calculating the statutory income tax expense we multiplied the amount of pre-tax earnings by the combined income tax rate of 26.4 percent (previous year: 26.4 percent) applicable to the financial year. The combined income tax rate includes the corporate tax rate of 25 percent (previous year: 25 percent) and the solidarity surcharge of 5.5 percent in each case.

	2006		**2005**	
	€ '000	in %	€ '000	in %
Expected corporate tax expense incl. solidarity surcharge (2006: 26.4 %; 2005: 26.4 %)	30,753	26.4	23,429	26.4
Corporate imputation credit 2006	(4,788)	(4.1)	0	0
German trade income taxes net of corporate tax benefit	8,090	6.9	7,070	8.0
Foreign tax rate differentials	(3,008)	(2.5)	(2,457)	(2.8)
Changes in tax rate/tax law	(260)	(0.2)	3,451	3.9
Change in valuation allowances on deferred tax assets	(1,399)	(1.2)	(1,737)	(2.0)
Tax effects on:				
- Results from companies accounted for under the equity method	46	0	(171)	(0.2)
- Changes in taxable income without impact on consolidated net income and non-deductible operating expenses	7,840	6.7	3,254	3.7
Other	0	0	(102)	(0.1)
Effective income taxes/tax rate	**37,274**	**32.0**	**32,737**	**36.9**

In December 2006, the law on tax-related measures to meet the requirements of the European company and to amend other tax regulations (Gesetz über steuerliche Begleitmaßnahmen zur Erfüllung der Europäischen Gesellschaft und zur Änderung weiterer steuerlicher Vorschriften, SEStEG) was enacted. The law stipulates that existing corporate tax credit balances can in the future no longer be realised by distribution of profit, but must rather be paid out in equal amounts over a period of ten years. The Company was therefore required to capitalise corporate tax credit balances amounting to € 4,788k on 31 December 2006. The corresponding tax income is therefore included in the reconciliation.

In fiscal 2006, the Group recorded income tax benefit of € 1,658k (previous year: income tax benefit of € 245k) within accumulated other comprehensive income.

The deferred tax assets and deferred tax liabilities are derived from the different amounts recorded under the following balance sheet items:

€ '000	2006	2005
Inventories	797	898
Accounts receivable and other assets	1,128	531
Property, plant and equipment	5,758	5,247
Intangible assets	2,353	2,733
Financial assets	257	240
Tax loss carryforwards	29,257	29,873
Other liabilities and provisions	12,573	9,177
Pension provisions	3,127	1,842
Total	55,250	50,541
Valuation allowance	(21,257)	(22,672)
Deferred tax assets	**33,993**	**27,869**

Inventories	14,411	6,666
Accounts receivable and other assets	4,183	903
Property, plant and equipment	23,752	12,036
Intangible assets	10,278	8,417
Financial assets	3,413	2,970
Other liabilities and provisions	7,974	2,950
Pension provisions	340	289
Deferred tax liabilities	**64,351**	**34,231**
Net deferred tax assets/ tax liabilities	**(30,358)**	**(6,362)**

The net amount of deferred tax assets and liabilities is derived as follows:

€ '000	2006	2005
Deferred tax assets	34,326	37,197
Valuation allowance	(21,257)	(22,672)
Net deferred tax assets	**13,069**	**14,525**
Deferred tax liabilities	**43,427**	**20,887**
Net deferred tax assets and liabilities	**(30,358)**	**(6,362)**

Deferred taxes on outside basis differences were not recognised because reversal of differences arising for example from dividend payments can be managed and no material tax effects are to be expected in the foreseeable future.

On the balance sheet date the Group had German corporate tax and foreign income tax loss carryforwards amounting to € 90 million, of which € 70 million may, based on legislation applicable on 31 December 2006, be carried forward indefinitely and in unlimited amounts. In Germany, however, losses carried forward from the 2004 tax-assessment year may be deducted from income up to € 1 million, and any remaining amount of income may be offset by loss carryforwards by up to 60 percent.

The remaining tax loss carryforwards will expire by 2021 at the latest if not utilised. The Group's German trade tax loss carryforwards and foreign loss carryforwards for allowable income taxes amounted to € 28 million on the balance sheet date, of which, based on legislation applicable on 31 December 2006, € 26 million may be carried forward indefinitely and in unlimited amounts and € 2 million will expire by 2009 at the latest if not utilised.

The change in valuation allowance on deferred tax assets amounted to negative € 1,399k in the past financial year (previous year: negative € 1,737k) including € 4,068k (previous year: € 4,438k) in write-downs on deferred tax assets relating mainly to tax loss carryforwards. In general, deferred tax assets are recognised to the extent it is considered more likely than not that such benefits will be realised in future years. In determining the valuation allowance all factors including legal factors and information available were taken into account. On the other hand, the figure includes a negative amount of € 5,467k (previous year: negative € 6,175k) relating to the tax benefit from the tax loss carryforwards utilised in the financial year under report on deferred tax assets written down in previous years. In the financial year, corporate tax loss carryforwards amounting to € 63k (previous year: € 28,471k) and trade tax loss carryforwards amounting to € 5,345k (previous year: € 19,463k) were utilised. Foreign income tax loss carryforwards amounting to € 11,267k (previous year: € 10,228k) and foreign trade tax loss carryforwards for allowable income taxes amounting to € 2,089k (previous year: € 869k) were utilised.

Notes to the balance sheet

[9] Accounts receivable and other assets

€ '000	2006	2005
Trade receivables	313,404	209,072
Advance payments	2,286	3,276
Accounts receivable from associated companies and joint ventures	101	61
Other assets	41,315	35,700
Prepaid expenses	4,000	4,745
	361,106	**252,854**

Trade receivables are non-interest bearing. On the balance sheet date, trade receivables were reduced by factoring amounting to € 32,890k (previous year: € 47,280k). Expenses still to be incurred in connection with factoring are of minor significance.

€ '000	2006	2005
Trade receivables	323,583	218,136
Less allowance for doubtful accounts	(10,179)	(9,064)
	313,404	**209,072**

In fiscal 2006, valuation allowances on receivables amounting to € 2,634k were recognised with an effect on earnings.

The trade receivables include receivables amounting to € 10,530k (previous year: € 6,176k) arising from development orders accounted for in accordance with IAS 11. The sales for the financial year include revenue amounting to € 5,819k (previous year: €2,652k) from such development orders. The expenses recognised correspond to the sales.

Other assets include value added tax receivables amounting to € 24,564k (previous year: € 20,738k). In addition, this item includes mainly supplier rebates receivable and other tax receivables.

[10] Assets held for sale

The assets held for sale involve land and buildings in the Wire & Cable division as well as a property of the Wiring Systems division. One property classified as held for sale stems from the acquisition of Studer Draht- und Kabelwerke AG. Classification as held for sale did not result in any impairment loss.

[11] Inventories

€ '000	2006	2005
Raw materials and manufacturing supplies	126,164	101,934
Work in progress	82,186	50,324
Finished products and merchandise	122,506	91,826
	330,856	**244,084**

The amount of impairment of inventories, recognised as expense, is € 9,091k (previous year: € 6,056k). This expense is included in the cost of sales.

The inventory recognised as expense in the cost of sales (inventory used) in the financial year amounted to € 1,248,514k (previous year: € 848,710k).

[12] Property, plant and equipment

Property, plant and equipment € '000	Land, leasehold rights and buildings	Technical equipment, plant and machinery	Other equipment, factory and other equipment	Advance payments and assets under construction	Total
Net book value on 1 January 2005	**125,704**	**137,495**	**31,495**	**12,991**	**307,685**
Acquisition costs on 1 January 2005	199,792	362,617	108,998	13,147	684,554
Currency differences	4,696	12,778	1,616	367	19,457
Additions	4,664	24,408	12,334	17,159	58,565
Add. due to changes in scope of consolidation	7,312	5,372	1,630	72	14,386
Re-classification of assets held for sale	3,860	2,020	70	0	5,950
Disposals	3,301	8,808	4,389	1,323	17,821
Transfers	6,002	6,726	3,781	(16,509)	0
31 December 2005	223,025	405,113	124,040	12,913	765,091
Accumulated depreciation on 1 January 2005	74,088	225,122	77,503	156	376,869
Currency differences	894	5,951	1,022	16	7,883
Additions	7,278	32,603	11,807	53	51,741
Add. due to changes in scope of consolidation	0	0	0	0	0
Re-classification of assets held for sale	1,619	2,020	70	0	3,709
Reversal	192	978	5	0	1,175
Disposals	2,251	4,528	3,563	92	10,434
Transfers	0	0	0	0	0
31 December 2005	81,436	260,190	86,834	133	428,593
Net book value on 31 December 2005	**141,589**	**144,923**	**37,206**	**12,780**	**336,498**
Acquisition costs on 1 January 2006	223,025	405,113	124,040	12,913	765,091
Currency differences	(306)	(2,888)	182	(372)	(3,384)
Additions	7,030	23,005	15,038	34,186	79,259
Add. due to changes in scope of consolidation	24,947	14,334	1,157	6,814	47,252
Disposals	10,305	15,940	7,680	558	34,483
Transfers	4,364	15,026	3,367	(22,757)	0
31 December 2006	248,755	438,650	136,104	30,226	853,735
Accumulated depreciation on 1 January 2006	81,436	260,190	86,834	133	428,593
Currency differences	(318)	(1,794)	120	(1)	(1,993)
Additions	7,657	34,840	13,994	72	56,563
Add. due to changes in scope of consolidation	0	0	0	0	0
Disposals	6,054	13,140	7,314	0	26,508
Transfers	0	0	0	0	0
31 December 2006	82,721	280,096	93,634	204	456,655
Net book value on 31 December 2006	**166,034**	**158,554**	**42,470**	**30,022**	**397,080**

In addition to depreciation, the write-downs also include impairment charges amounting to € 1,200k, which breaks down to € 613k for the Wire & Cable division and € 587k for the Wiring Systems division. In both cases this concerns plant and machinery, and in the Wiring Systems division also leased installations. The depreciation requirement was in both instances based on value in use, which was down in the case of the assets concerned because of a fall in income. There were no write-ups.

All write-downs and write-ups are included in the cost of sales.

The land and buildings classified as held for sale during the financial year are included in disposals at a net carrying amount of € 4,204k. They are recognised under other current assets.

Interest amounting to € 243k (previous year: € 53k) was capitalised in the financial year. The underlying interest rates conform to the local circumstances of the respective country.

[13] Intangible Assets

€ '000	Trademarks, similar rights, software and others	Development costs	Advance payments	Total
Net book value on 1 January 2005	**11,940**	**5,345**	**133**	**17,418**
Acquisition costs on 1 January 2005	26,894	5,599	133	32,626
Currency differences	404	185	1	590
Additions	3,349	2,730	400	6,479
Additions due to changes in scope of consolidation	2,473	0	0	2,473
Disposals	483	496	0	979
Transfers	483	0	(483)	0
31 December 2005	33,120	8,018	51	41,189
Accumulated amortisation on 1 January 2005	14,954	254	0	15,208
Currency differences	193	14	0	207
Additions	5,349	822	0	6,171
Additions due to changes in scope of consolidation	0	0	0	0
Disposals	247	166	0	413
Transfers	0	0	0	0
31 December 2005	20,249	924	0	21,173
Net book value on 31 December 2005	**12,871**	**7,094**	**51**	**20,016**
Acquisition costs on 1 January 2006	33,120	8,018	51	41,189
Currency differences	(78)	176	(5)	93
Additions	3,292	41	1,076	4,409
Additions due to changes in scope of consolidation	8,514	368	1,040	9,922
Disposals	965	0	0	965
Transfers	1,336	163	(1,499)	0
31 December 2006	45,219	8,766	663	54,648
Accumulated amortisation on 1 January 2006	20,249	924	0	21,173
Currency differences	3	44	0	47
Additions	6,193	1,498	0	7,691
Additions due to changes in scope of consolidation	0	0	0	0
Disposals	950	0	0	950
Transfers	0	0	0	0
31 December 2006	25,495	2,466	0	27,961
Net book value on 31 December 2006	**19,724**	**6,300**	**663**	**26,687**

Amortisation of intangible assets is included in the cost of sales in the amount of € 2,658k, in selling costs in the amount of € 983k, in general administrative costs in the amount of € 2,341k as well as in research and development costs in the amount of € 1,708k.

[14] Goodwill

Goodwill in the financial year is summarised as follows:

€ '000	**2006**	**2005**
Acquisition costs on 1 January	45,123	41,907
Accumulated allowance	5,142	5,142
Carrying amount 1 January	39,981	36,765
Additions	25,923	3,216
Currency translation differences	(473)	0
Acquisition costs on 31 December	70,573	45,123
Accumulated allowance 31 December	5,142	5,142
Carrying amount 12/31/2006	**65,431**	**39,981**

The additions pertain to the subsidiaries acquired during the financial year (cf. Note [5]) in the amount of € 24,418k and to adjustment by € 1,369k to the purchase price for Klink + Oechsle GmbH acquired in 2004 in the Wire & Cable division as well as goodwill in the amount of € 136k arising from purchase of the minority interest in the Liuzhou-based subsidiary LEONI Wiring Systems (Liuzhou) Co. Ltd. in the Wiring Systems division.

The goodwill shown on 31 December 2006 breaks down to € 63,446k (previous year: € 38,131k) for the Wire & Cable division and € 1,985k (previous year: € 1,850k) for the Wiring Systems division.

The annual test for impairment of goodwill found no need for write-down. For the purpose of the impairment test, goodwill was allocated in the amounts of € 13.2 million (previous year: € 13.2 million), € 7.5 million (previous year: € 6.2 million) and € 6.9 million (previous year: € 6.9 million) to three cash-generating units in the Special Cables business as well as in the amount of € 4.1 million (previous year: € 4.1 million) to a cash-generating unit in the Automotive and Standard Cables business and in the amount of € 21.9 million to the segment "Hard" from acquisition of Studer Draht- und Kabelwerk AG, which covers sterilisation and physical networking of industrial products.

In all the goodwill impairment tests the recoverable amount was based on the value in use. The underlying cash flow forecasts are in each based on the five-year business planning as approved by the Management Board. The cash flow planning takes into account price agreements based on experience and anticipated efficiency enhancements as well as sales growth based on the strategic outlook. Cash flows after the five-year period were in each case extrapolated by applying a zero growth rate. The pre-tax discount rates applied ranged from 10.7 percent to 14.3 percent (previous year: 9.2 percent to 15.7 percent).

[15] Investments in associates and joint ventures

There was a year-on-year reduction in the carrying amount of investments in associates and joint ventures from € 3,343k to € 1,875k, due on the one hand to the sale of Neptoptic GmbH as well as the disposal of LEONI & STUDER Transportation Systems GmbH as the latter was consolidated in full upon acquisition of Studer Draht- und Kabelwerk AG, and on the other hand, to a repayment of principal and the negative result of valuation under the equity method.

The following overview shows the 100 percent values for the assets and liabilities of the associates and joint ventures:

€ '000	2006	2005
Current assets	5,711	9,792
Non-current assets	469	3,357
Current liabilities	1,610	2,631
Non-current liabilities	749	3,541
Equity	3,821	6,977
Total assets	**6,180**	**13,149**

The sales of the associates and joint ventures amounted to a total of € 13,631k (previous year: € 18,339k) with a net loss totalling € 212k (previous year: net income of € 1,533k).

[16] Other investments

The other investments amounting to € 9,765k (previous year: € 10,028k) cover those securities that were to be classified as "available for sale investments". The residual amount of € 150k (previous year: € 916k) concerns a loan granted to one joint venture. The securities classified as available for sale are, in an amount of € 9,449k, recorded at their fair value on the balance sheet date. The fair value was derived from the market value of the shares. Valuation at fair value did not result in any year-on-year change. Securities in an amount of € 316k are valued at cost because there is no quoted price in an active market and the fair value cannot be reliably measured.

[17] Other (non-current) assets

This item comprises mainly the prepaid pension cost amounting to € 11,242k (previous year: € 11,179k).

[18] Financial liabilities

€ '000	2006	2006	2005	2005
Current financial liabilities				
Bonds	4,551		74,947	
Liabilities to banks	40,704		52,276	
Liabilities on bills of exchange	3,321		3,264	
Other financial liabilities	16		9,488	
	48,592		**139,975**	
Long-term loans				
Bonds	198,711		0	
Liabilities to banks	125,263		141,624	
Other financial liabilities	84		0	
	324,058		**141,624**	
Total financial liabilities		of which secured by mortgages		of which secured by mortgages
Bonds	203,262		74,947	
Liabilities to banks	165,967	1,500	193,900	1,941
Liabilities on bills of exchange	3,321		3,264	
Other financial liabilities	100		9,488	
	372,650	**1,500**	**281,599**	**1,941**

In July 2006, LEONI issued a bond in an amount of € 200 million. The term of the bond is seven years, with a 5.0 percent coupon. The issue price of the bond amounted to 99.740 percent. The effective yield stands at 5.11 percent. Taking into account the payments hitherto incurred that were directly associated with the costs arising from issuing the bond, the Group took in an amount of € 198.7 million.

The bearer bond (Inhabersammelschuldverschreibung) amounting to € 75 million issued in November 1999 was repaid in November 2006. This bearer bond was traded on the bond market; its nominal interest rate was 6.125 percent.

New non-current bank loans amounting to € 8,450k were taken on in fiscal 2006. Scheduled repayment of non-current loans to banks amounted to € 21,950k. The short-term proportion of long-term loans was up by € 3,149k on the previous year. In total, short-term financial liabilities to banks were down by € 11,572k. Non-current financial liabilities to banks amounting to € 545k were taken on in connection with acquisition of NBG Fiber Optics GmbH.

To ensure liquidity, there exist short-term credit lines amounting to € 271 million with terms up to 39 months. Short-term credit lines in the amount of € 15,604k were used on the balance sheet date. Together with the short-term proportion of long-term loans, short-term liabilities to banks amounted to € 40,704k.

The table below explains details of the financial liabilities outstanding on the balance sheet date. The weighted interest rate reflects the situation on the balance sheet date.

Currency	Interest-rate agreement	Weighted interest rate	Nominal volume € '000	Maturity < 1 year € '000	1 – 5 years € '000	> 5 years € '000	Carrying amount € '000
EUR	Variabel	4.38 %	282	282			282
CNY	Variabel	5.40 %	10,689	10,689			10,689
USD	Variabel	6.07 %	444	444			444
EUR	Fix	5.00 %	259,553	17,748	40,903	200,712	259,363
EUR	Fix (derivative contracts)	5.14 %	94,301	11,858	39,856	42,587	94,301
Other			7,571	7,571			7,571
			372,840	**48,592**	**80,759**	**243,299**	**372,650**

The effective interest rates differ only marginally from the nominal interest rates because of the agreed interest computation rates. The financial liabilities shown in the table under the line item „EUR – Fix (derivative contracts)" were transformed into fixed-interest liabilities by signing interest swaps and interest caps. These derivative contracts have maturities of up to six years.

The long-term fixed-rates loans („EUR – Fix" table) were taken out at rates between 3.5 percent p.a. and 6.22 percent p.a. The repayment agreements pertaining to the long-term liabilities to banks provide for repayment in up to six years.

[19] Other current liabilities

€ '000	2006	2005
Trade liabilities	213,597	124,981
Advance payments received	685	359
Liabilities to associated companies and joint ventures	1,688	2,370
Other liabilities	120,655	92,839
Deferred income	170	49
	336,795	**220,598**

Trade receivables are non-interest bearing. Other liabilities include liabilities amounting to € 47,544k (previous year: € 31,203k) from the receipt of payment on receivables that were sold within factoring agreements. In addition, this item includes liabilities to staff in the amount of € 26,318k (previous year: € 16,133k), tax liabilities in the amount of € 12,669k (previous year: € 12,044k) and liabilities connected with social security amounting to € 6,199k (previous year: € 9,114k).

Accruals are reported under liabilities. The Group previously reported accruals under provisions. The corresponding figures for the previous year were therefore reclassified accordingly for the purpose of comparability (cf. Note [20]).

[20] Provisions

Provisions € '000	01/01/2006	Addition to scope of consolidated financial statements	Usage	Dissolution	Allocation	Allocation of interest	Currency differences	**12/31/2006**	Current provisions 2006	Non-current provisions 2006	Current provisions 2005	Non-current provisions 2005
Personnel-related provisions	18,030	961	4,881	1,496	4,548	382	(343)	**17,201**	1,021	16,180	2,525	15,505
Provisions for product warranties	4,326	222	1,310	644	2,796	14	(24)	**5,380**	5,380	0	4,326	0
Other provisions for purchasing and distribution	5,779	472	4,810	414	6,767	0	(22)	**7,772**	6,926	846	5,454	325
Restructuring provisions	4,629	0	2,723	658	9,219	0	(129)	**10,338**	6,251	4,087	2,316	2,313
Other provisions	2,804	1,213	2,016	834	1,925	5	(33)	**3,064**	1,245	1,819	2,056	748
Total	35,568	2,868	15,740	4,046	25,255	401	(551)	**43,755**	20,823	22,932	16,677	18,891

Accruals are no longer reported under provisions since this year, but rather under liabilities. Accruals are liabilities to pay for goods or services that have been received but have not been paid or invoiced by the supplier. The pre-year figures and the carryforwards on 1 January 2006 were accordingly reduced by the amounts that were reclassified to liabilities. The following amounts were reclassified to liabilities: € 24,460k from personnel-related provisions, € 2,614k from provisions for purchasing and distribution and € 30,422k from other provisions. Furthermore, other provisions in the amount of € 3,579k were allocated to provisions for purchasing and distribution on 1 January 2006.

The personnel-related accrued liabilities include mainly long-term provision for partial retirement agreements and provision for anniversary bonuses.

The product warranties are determined on the basis of past experience, with goodwill concessions also taken into account.

There are also provisions for purchasing and distribution to cover onerous contracts.

The restructuring provisions amounting to € 10,338k (previous year: € 4,629k) in the Wiring Systems division involve mainly termination payments at the German facilities in Neuburg and Lilienthal as well as at the facility in South Africa, and also termination payments as well as leases no longer required in England. In the Wire & Cable division, this involves termination payments at the facility in Belgium.

Use of provisions comprises the amounts set aside in the previous year for termination payments at the Belgian facility of the Wire & Cable division and at the facilities in South Africa as well as Lilienthal of the Wiring Systems division.

The additions almost exclusively concern the Wiring Systems division. This covers termination payments at the German facilities in Neuburg and Lilienthal, and at the facility in South Africa as well as termination payments and another lease no longer required in England.

[21] Pension provisions

A number of different pension plans exist in Germany. The former pension trust of Leonische Drahtwerke AG, which covered all employees, was closed to people joining the Company after 31 December 1981. The benefits of the pension trust were also divided. The pension trust is only used to pay current pension benefits to former beneficiaries whereas future beneficiaries are subject to a defined benefit plan. The pension benefit payments are based upon years of service and the salary of the last year of employment.

Pension obligations of acquired German companies are generally based on eligible compensation levels and/or ranking within the Company hierarchy and years of service, or on a fixed amount per year of service. All defined pension plans of acquired companies are closed.

In Germany, LEONI grants defined benefits to most employees for the deferral of compensation. Amounts of deferred compensation earn interest at a rate of approx. six percent per year. These benefits are covered by capital insurance. The reinsurance policies are qualifying insurance policies and are therefore recognised as plan assets.

In the United Kingdom, there exists a funded defined benefit plan for all employees of the company. Pension benefit payments are based upon the salary of the last year of employment as well as years of service and contributions of the employees to the plan.

In Switzerland, occupational pension schemes are mandatory and covered by the pension foundation of Studer Draht- und Kabelwerk AG. This involves a defined benefit plan for all the employees of the Swiss company. The benefit depends on length of service and age of the employee as well as on the wage-related contributions and on the value of the plan assets.

The development of the pension obligations and related plan assets are summarised as follows:

Change in defined benefit obligations in € '000	**2006**	**2005**
Defined benefit obligations at the beginning of the fiscal year	163,770	131,551
Service cost	3,428	2,550
Interest cost	8,070	7,220
Contributions by plan participants	2,155	1,743
Actuarial (gains) losses	5,013	15,345
Currency differences	1,966	2,859
Plan amendments/past service cost	733	5,245
Business combinations	39,120	3,568
Transfers under Swiss Law	1,995	0
Settlements	(3,436)	0
Benefits paid	(7,878)	(6,311)
Defined benefit obligation at the end of the fiscal year	**214,936**	**163,770**

Change in plan assets in € '000	**2006**	**2005**
Fair value of plan assets at the beginning of fiscal year	102,843	84,307
Expected return on plan assets	7,729	6,586
Actuarial gains/(losses)	4,740	9,508
Currency differences	1,524	2,272
Contributions by the employer	2,743	3,487
Contributions by plan participants	2,155	1,743
Business combinations	34,804	0
Transfers under Swiss Law	1,995	0
Benefits paid	(6,590)	(5,060)
Fair value of plan assets at the end of the fiscal year	**151,943**	**102,843**

The transfers under Swiss law concern transferred obligations and the related plan assets upon change of employment and similar requirements under legislation specific to the country.

Actual return on plan assets amounted to € 12,469k in the financial year (previous year: € 16,094k).

The tables below show the funded status that is the difference between the defined benefit obligation and the plan assets at the end of the year, and the recorded amounts in the balance sheet:

€ '000	**2006**	**2005**
Funded status at the end of the fiscal year	(62,993)	(60,927)
Unrecognized actuarial (gains)/losses	37,973	38,446
Net amount recognized	**(25,020)**	**(22,481)**
Breakdown of the amount carried in the balance sheet € '000	**2006**	**2005**
Prepaid benefit cost	11,242	11,179
Pension provision	(36,262)	(33,660)
Net amount recognized	**(25,020)**	**(22,481)**

The prepaid benefit costs refer to the pension assets surplus to the obligations in England, whereas the amount shown as pension provision refers to obligations in Germany and in Switzerland as well as including termination provisions in Austria.

The defined benefit obligation at the end of the financial year breaks down into € 177,392k (previous year: € 118,530k) in funded obligations and € 37,544k (previous year: € 45,240k) in unfunded obligations.

The assumptions for interest rates, rates of compensation increase and the expected return on plan assets on which the calculation for defined benefit obligations is based were established for each country as a function of their respective economic conditions. The Group applied the following weighted average assumptions:

Weighted average assumptions	**2006**	**2005**
Discount rate	4.55 %	4.78 %
Rate of wage and salary increase	2.54 %	3.45 %
Rate of compensation increase	2.09 %	2.37 %

The (weighted average) assumptions made for calculating net periodic pension cost are shown in the table below.

Weighted average assumptions	**2007**	**2006**
Discount rate	4.55 %	4.78 %
Expected return on plan assets	6.17 %	7.30 %
Rate of wage and salary increase	2.54 %	3.45 %
Rate of compensation increase	2.09 %	2.37 %

The assumptions relating to the expected return on plan assets are based on detailed analyses taking into account both the actual past returns on long-term investment and the projected long-term returns on the target portfolio.

The assumed mortality is based on published statistics and historical data in the respective countries. The valuation of pension obligation in Germany was based on the "Heubeck-Richttafeln 2005 G" mortality tables.

The total expense for the defined benefit plans was as follows:

	2006	2005
Service cost	3,428	2,550
Interest cost	8,070	7,220
Expected return on plan assets	(7,729)	(6,586)
Amortization of prior service cost	733	5,365
Amortization of actuarial (gains)/losses	1,479	1,513
Settlement gains	(486)	0
Total expense from defined benefit obligations	**5,495**	**10,062**

The total expense is recognised in the income statement in the following items:

	2006	2005
Cost of sales	1,559	1,162
General administration expenses	2,576	8,182
Selling expenses	573	351
Research and development expenses	787	367
Total expense from defined benefit obligations	**5,495**	**10,062**

The plan assets comprise the assets of the defined contribution plan in England, of the pension foundation in Switzerland and the qualifying insurance policies as well as the pension trust in Germany. The portfolio structure for the measurement dates of the past two financial years and the target portfolio structure are summarised in the following overview:

	Target asset allocation	Portfolio structure, actual	
		2006	2005
Equity securities	59.4 %	58.4 %	72.1 %
Debt securities	31.5 %	30.8 %	20.6 %
Real estate	3.0 %	0.9 %	0.0 %
Other	6.1 %	9.9 %	7.3 %
	100.0 %	**100.0 %**	**100.0 %**

The plan assets in England and Switzerland do not include any shares or debt securities of LEONI Group companies or parties related to them.

The plan assets in Germany include an amount of € 1,203k (previous year: € 1,312k) that the pension trust provided LEONI AG as a loan, as well as qualifying insurance policies in the amount of € 6,652k (previous year: € 5,169k).

The contribution estimated for the next financial year is € 3,039k.

The following overview contains the defined benefit obligation and the plan assets as well as the respective experience adjustments:

	2006	2005
Defined benefit obligation at the end of the fiscal year	(214,936)	(163,770)
Fair value of plan assets at the end of the fiscal year	151,943	102,843
Funded status at the end of the fiscal year	(62,993)	(60,927)
Experience adjustments defined benefit obligation	(3,072)	(167)
Experience adjustments plan assets	4,740	9,508

Some non-German companies provide defined contribution plans. Total expenditure on such contributions amounted to € 403k in the financial year (previous year: € 249k).

[22] Equity

Share capital
The share capital in the amount of € 29,700,000, which corresponds to the share capital of LEONI AG, is divided into 29,700,000 no-par-value shares.

Authorised capital
There is an authorised capital of € 14,850,000 available.

Additional paid-in capital
The additional paid-in capital amounts to € 170,380,694.

Statutory reserve
The retained earnings include the statutory reserve of LEONI AG in the amount of € 1,091,608.17, which is not available for distribution.

Other comprehensive income
The following table shows the changes in the components of accumulated other comprehensive income net of tax effects:

Dividends payment
A dividend of EUR 0.57 per share was declared and paid in the 2006 financial year. The total payout was € 16,929k.

Dividend proposal
The Management Board will propose to the annual shareholders' meeting to pay out from the fiscal 2006 distributable profit of LEONI AG, amounting to € 26,179,790.26 as determined under the German Commercial Code, a dividend of € 23,760,000.00 and to carry the remainder of € 2,419,790.26 forward. This corresponds to a dividend of € 0.80 per share entitled to dividend.

Other Comprehensive Income € '000	**2006**			**2005**		
	Pre-tax amount	Tax effect	Net amount	Pre-tax amount	Tax effect	Net amount
Foreign currency translation adjustments	(9,323)	(99)	(9,422)	16,065	(381)	15,684
Unrealized holding losses/gains on available-for-sale investments	0	0	0	432	0	432
Unrealised gains/losses on derivatives hedging variability of cash flows	3,965	(1,559)	2,406	(203)	136	(67)
Other Comprehensive Income	**(5,358)**	**(1,658)**	**(7,016)**	**16,294**	**(245)**	**16,049**

[23] Contingencies and other obligations

Lease obligations

The Group leases property, plant and equipment that do not qualify as finance leases under IFRS, and are therefore classified as operating leases. Leasing expenses amounted to € 11,179k in the financial year (previous year: € 7,877k). The future (undiscounted) minimum rental payments on non-cancellable operating leases are:

Fiscal years	€ '000
2007	10,179
2008	7,966
2009	5,990
2010	4,905
2011	2,482
as of 2012	1,978
Total	**33,500**

Purchase order commitments

Purchase order commitments amounted to € 727k (previous year: € 354k) on the balance sheet date.

Litigation and claims

There are pending claims for damages in minor amounts, some of which are covered by insurance. The insurer is currently examining the cases. Appropriate amounts have been recognised with respect to these claims for damages. Possible future liability for damages may arise in an amount usual for the field of business the Company is dealing in. There have not been any and there are currently no pending lawsuits or court proceedings that might have a major impact on LEONI's business situation.

[24] Financial instruments and derivatives

Interest rate risks

The Group uses interest swaps and interest caps to avoid the risk of changes in interest rates. Derivative contracts (interest rate) are handled exclusively by LEONI AG. Derivative contracts (interest rate) hedge the risk of changes in interest rates on current and non-current borrowing requirements.

Apart from one interest swap amounting to € 3,500k and one interest cap amounting to € 10,000k, the preconditions for hedge accounting are met on all derivative-hedging instruments. The resulting changes in market value, which amounted to € 4,379k (previous year: negative € 442k) in the financial year, are reported in accumulated other comprehensive income. The positive amounts recognised in equity came to € 26k in the financial year, and the negative amounts to € 2,353k. The hedging relationship of the interest rate cap mentioned above is removed in the period under report because of discontinuation of the underlying transaction. The fair value change amounting to about € 1k was therefore recognised with effect on income.

The nominal volume of existing interest rate swaps on the balance sheet date is € 101,800k (previous year: € 110,522k), while interest rate caps amount to € 16,000k (previous year: € 18,000k).

	Weighted interest rate	Maturity up to	Nominal amount in € '000	Maturity			
				< 1 year	1 – 5 years	> 5 years	Total
EUR Interest rate swap	4.55	6 years	94,214	17,357	21,857	55,000	94,214
USD Interest rate swap	4.95	6 years	7,587	0	0	7,587	7,587
EUR Interest cap	4.88	2 years	16,000	4,000	12,000	0	16,000

Where the derivatives hedge the risk of changes in interest rates on the long-term financial liabilities, the term is identical to that of the underlying loan. Furthermore, some of the derivatives also hedge variable debt. The agreed reference interest rates are the EURIBOR for two months, three months and six months as well as the USD-Libor for three months. These derivative contracts (interest rate) have maturities of up to six years. We regard the counterparty risk as being very small because derivative contracts were signed with first-rate national and international commercial banks.

Currency risks

In general business is conducted either in euros or in the local currency of the respective market. Furthermore, existing currency risks are attended centrally at the holding company LEONI AG. Hedging transactions are signed in line with the existing underlying transactions as well as the planned transactions. Selection of the hedging instrument to be used is based on regular, in-depth analysis of the underlying transaction to be hedged. Most of the hedging transactions are in the US dollar, the pound sterling, Slovakian crown, Polish zloty and Romanian leu. The objective is to limit the impact of exchange rate variation on net income. Apart from the actual hedging transactions, which are used to hedge against key risks, we primarily take advantage of the option of netting foreign currency items within the Group. As a further currency-hedging measure, we finance some of our foreign subsidiaries in their respective local currencies by way of refinancing in the corresponding currency.

On the balance sheet date, there were currency-hedging transactions amounting to € 117,197k (previous year: € 98,120k), maturing within eight months. The changes in market value of the foreign exchange transactions as of the balance sheet date to be recorded in the income statement with an effect on earnings amounted to negative € 420k in the fiscal year (previous year: positive € 225k).

On the balance sheet date there still existed foreign exchange transactions amounting to € 5,891k for which the conditions for hedge accounting are met. They were all completed in the period under report and their change in fair value of negative € 259k was recognised in other comprehensive income. The cash flow from the underlying transactions is expected in full during the 2007 financial year. The changes in fair value recognised in other comprehensive income are derecognised via the income statement at that time.

The positive amounts recognised in other comprehensive income in the context of hedge accounting came to € 1,171k in the financial year, and the negative amounts to € 1,169k. A negative amount of € 257k was derecognised via the income statement.

In total, expenses of € 5,333k (previous year: expenses of € 4,692k) from currency hedging transactions were recorded for the financial year affecting net income, offset by the corresponding effect on earnings from underlying transactions.

The currency hedging transactions, as well as our interest transactions, were signed with first rate commercial banks.

Risks related to raw material prices

Business within the Wire & Cable division is sensitive to changes in raw materials prices, especially of copper, but also gold and silver. For this reason, purchase prices for gold, silver and especially copper are hedged by way of future transactions to cover the usual future procurement volume. Such commodity future transactions are signed within ordinary business activity and as part of purchasing activity for required raw materials and therefore need not, in line with IAS 39, be accounted for as financial derivatives.

The carrying amounts and fair values of the financial instruments were as follows:

Non-derivative financial instruments € '000	12/31/2006 Carrying amount	12/31/2006 Fair value	12/31/2005 Carrying amount	12/31/2005 Fair value
Assets Cash and cash equivalents	135,738	135,738	114,110	114,110
Total equity and liabilities Bond	203,262	204,000	74,947	76,500
Liabilities to banks	165,967	169,350	193,900	206,363
Liabilities on bills of exchange	3,321	3,321	3,264	3,264
Other financial liabilities	100	100	9,488	9,488

Derivative financial instruments € '000		12/31/2006 Nominal amount	12/31/2006 Carrying amount	12/31/2006 Fair value	12/31/2005 Nominal amount	12/31/2005 Carrying amount	12/31/2005 Fair value
Assets **Currency contracts**		54,129	389	389	46,629	429	429
Forward exchange transactions	USD	26,591	280	280	0	0	0
	GBP	13,037	10	10	35,641	415	415
	SKK	1,454	10	10	9,830	7	7
	PLN	5,210	3	3	0	0	0
	RON	7,190	82	82	0	0	0
	Other	647	4	4	1,158	7	7
(thereof hedge accounting)		*0*	*0*	*0*	*0*	*0*	*0*
Derivative contracts (interest rate)		16,000	1	1	18,000	2	2
Interest caps		16,000	1	1	18,000	2	2
(thereof hedge accounting)		*6,000*	*0*	*0*	*18,000*	*2*	*2*
Total equity and liabilities **Currency contracts**		63,068	809	809	51,491	204	204
Forward exchange transactions	SKK	45,108	654	654	35,187	118	118
	USD	0	0	0	5,290	37	37
	PLN	14,661	104	104	4,672	7	7
	GBP	0	0	0	5,823	8	8
	RON	1,735	34	34	0	0	0
	Other	1,564	17	17	519	34	34
(thereof hedge accounting)		*5,811*	*259*	*259*	*0*	*0*	*0*
Derivative contracts (interest rate)		101,801	2,339	2,339	110,522	6,719	6,719
Interest swaps		101,801	2,339	2,339	110,522	6,719	6,719
(thereof hedge accounting)		*98,301*	*2,328*	*2,328*	*104,022*	*6,576*	*6,576*

Segment reporting

The fair value of the bond corresponds to the market value at the respective yearend on the bond market. The carrying amount of cash and cash equivalents and of the short-term liabilities corresponds to the market values due to their maturities.

The fair value of the other financial instruments was determined on the basis of the market conditions at the balance sheet date. For the existing interest rate swaps this means that fair value was determined by discounting expected future cash flows.

During the year under report we signed a securities loan transaction with a German bank. Shares were transferred to us as part of this transaction. For the shares we received dividend income during the term, and paid compensation to the bank. Upon maturity of the securities loan transaction the shares were transferred back to the bank.

[25] Segment reporting

The segment reporting follows the internal organisational and reporting structure of the Group. Intersegment sales and revenues are generally recorded at values that approximate sales to third parties.

Wire & Cable

The segment covers development, manufacture and sale of cable, wires and tapes for cable production and electric as well as electronic components, of Lyonese wares for textiles, decorative goods and artistic works as well as cables and conductors especially for the automotive and electrical appliance industries, data and communications technology, the professional audio and video segment, medical equipment, automation technology as well as machinery and plant engineering. The products meet both German and international standards as well as customer specifications. The conductive material most commonly used is copper, but the division also produces fiber optic cable based on both glass and polymer fiber.

Wiring Systems

The activity of this segment is focused on the development, production and sale of complete wiring systems and ready-to-install cable harnesses for passenger cars and commercial vehicles. In addition to conventional cable harnesses, the division also manufactures preformed cable harnesses, plastic moulded components as well as ready-to-fit cable assemblies with connectors and fittings.

LEONI's business operations are heavily dependent on the automotive industry, which accounts for about 68 percent of total sales.

The details by segment for the 2006 and 2005 financial years are as follows:

Segment information € '000	**Wire & Cable**		**Wiring Systems**		**Consolidation/LEONI AG**		**LEONI Group**	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Sales	1,248,123	744,901	955,109	879,807	(94,988)	(76,735)	2,108,244	1,547,973
./. Intersegment sales	94,103	76,333	885	402	(94,988)	(76,735)	–	–
External Sales	1,154,020	668,568	954,224	879,405	–	–	2,108,244	1,547,973
domestic	365,470	219,031	502,510	482,538	0	0	867,980	701,569
abroad	788,550	449,537	451,714	396,867	0	0	1,240,264	846,404
abroad in %	68.3	67.2	47.3	45.1			58.8	54.7
Operating income	68,098	42,266	61,477	60,406	832	(505)	130,407	102,167
Income/expenses from associated companies	(472)	(306)	298	968	0	0	(174)	662
EBIT	67,626	41,960	61,775	61,374	832	(505)	130,233	102,829
as a percentage of sales	5.4	5.6	6.5	7.0				
as a percentage of external sales	5.9	6.3	6.5	7.0			6.2	6.6
Financial result and other investment income							(13,634)	(13,999)
Income before tax							116,599	88,830
Income taxes							(37,274)	(32,737)
Net income							79,325	56,093
Depreciation and amortisation	28,675	23,348	31,428	29,375	2,952	3,592	63,055	56,315
EBITDA	96,301	65,308	93,203	90,749	3,784	3,087	193,288	159,144
as a percentage of sales	7.7	8.8	9.8	10.3				
as a percentage of external sales	8.3	9.8	9.8	10.3			9.2	10.3
Other non-cash segment expenses: Impairment losses	613	787	587	810	0	0	1,200	1,597
Segment assets	780,498	505,391	479,164	441,763	76,688	76,548	1,336,350	1,023,702
Investments in associated companies and joint ventures	132	1,173	1,742	2,170	0	0	1,874	3,343
Investment in property, plant and equipment as well as intangible assets	46,991	21,731	33,081	40,493	3,596	2,820	83,668	65,044
Segment provisions and accruals	371,263	207,961	172,779	166,866	(158,737)	(113,955)	385,305	260,872
Average number of employees	7,265	5,920	26,654	25,980	156	145	34,075	32,045

The segment EBIT (earnings before interest and taxes) comprises operating earnings plus income from associated companies. The companies that were measured under the equity method are mainly joint ventures in which LEONI exercises joint control; this is why the income from associated companies is included in EBIT and EBITDA.

Segment information by geographical regions:

Segment information by geographical regions € '000	**Federal Republic of Germany**		**EU excl. Germany**		**Outside EU**		**LEONI Group**	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
External sales								
Wire & Cable	365,470	219,031	347,858	214,270	440,692	235,267	1,154,020	668,568
Wiring Systems	502,510	482,538	330,137	292,385	121,577	104,482	954,224	879,405
	867,980	**701,569**	**677,995**	**506,655**	**562,269**	**339,749**	**2,108,244**	**1,547,973**
Segment assets	529,084	433,868	419,450	278,271	387,816	311,563	1,336,350	1,023,702
Investment in property, plant and equipment as well as intangible assets	37,345	16,256	18,103	20,555	28,220	28,233	83,668	65,044

Notes to statement of cash flows

[26] Statement of cash flows

Liquid funds comprise cash and cash equivalents. These include cash in hand, cheques and immediately disposable bank deposits with an original maturity of up to three months.

Interest payments in the financial year amounted to € 19,282k (previous year: € 17,739k) and interest payments received totalled € 1,684k (previous year: € 763k). Payments for income taxes amounted to € 16,126k (previous year: € 14,239k). Dividend payments received amounted to € 236k in the financial year (previous year: € 39k).

Other disclosures

[27] Earnings per share

The number of 29,700,000 shares outstanding corresponds to the number of shares issued. As in the previous year, there was no dilution effect in the financial year under report.

Basic earnings per share are calculated as follows:

	2006		2005	
	Total amount € '000	**Earnings per share Group interests** €	**Total amount** € '000	**Earnings per share Group interests** €
Numerator:				
Income before taxes attributable to the Group	115,550	3.89	88,947	2.99
Net income attributable to the Group	78,537	2.64	56,261	1.89
Denominator:				
Weighted average number of shares outstanding	29,700,000		29,700,000	

[28] Auditor's professional fees

The following expenses were recognised in the financial year for work performed by the auditors appointed to audit the financial statements and consolidated financial statements as at 31 December 2006: € 796k for the audit, € 93k for other certification and appraisal services, € 274k for tax consulting services and € 6k for other services.

[29] Personnel expenses and employees

€ '000	2006	2005
Wages and salaries	318,049	270,590
Social-security contributions, expenses for pensions and retirement and fringe benefits	81,363	59,816
	399,412	**330,406**

This item includes the following retirement benefit expenses:

2006 € '000	2005 € '000
5,898	10,062

Annual average number of employees:

	2006	2005	Change
Salaried staff	5,238	4,425	+ 18.4 %
Wage earners	28,837	27,620	+ 4.4 %
	34,075	**32,045**	**+ 6.3 %**

The Group employed 35,129 people on the balance sheet date (previous year: 32,638), of which 31,252 worked outside Germany (previous year: 28,940).

[30] Share-based compensation

The members of the Management Board received, in addition to fixed annual compensation and a performance-related short-term component (profit share) measured against net income, a share-based long-term component with risk character (bonus). This bonus is computed based on the market performance of the LEONI AG share and EVA (economic value added). However, the amounts paid out annually have upper limits. Amounts exceeding this limit are carried forward to the next year. Realising it depends on management's performance in the future. The amounts carried forward expire upon departure from the Management Board. Provision is made pro-rata over the vesting period for the amounts carried forward.

50 percent of the bonus must be invested in LEONI shares, which are blocked for at least 50 months, within 20 days of being paid.

[31] Transactions with related parties

Compensation of the Management Board is summarised as follows:

€ '000	2006	2005
Benefits due in the short term	3,280	2,730
Share-based compensation	789	800
	4,069	**3,530**
Post-employment benefits	509	4,027
	4,578	**7,557**

The short-term benefits include a variable component of € 2,142k (previous year: € 1,750k). In the previous year, there were, under post-employment benefits, additions to

pension provisions due to plan amendments that, according to IAS 19 had to be recognised as expense immediately upon vesting.

The receipts of the individual members of the Management Board pursuant to § 314 Section 1(6a) of the German Commercial Code were as follows:

€ '000	Year	Not performance-related component	Performance-related component	Long-term incentive	Other	Total
Dr Klaus Probst	2006	455	1,142	263	25	1,885
	2005	360	750	267	24	1,401
Dieter Bellé	2006	300	500	263	32	1,095
	2005	264	500	266	30	1,060
Uwe H. Lamann	2006	300	500	263	26	1,089
	2005	280	500	267	22	1,069
Total	**2006**	**1,055**	**2,142**	**789**	**83**	**4,069**
	2005	904	1,750	800	76	3,530

Expenditure on pensions did not need to be included in the receipts of the Management Board members. Other receipts comprise non-monetary benefits of being provided with company cars and top-ups on insurance policies.

The basic principles of the compensation system are presented in the management report.

Upon retirement, Management Board members receive about 50 percent of the component that is not performance-related.

There is provision for the pension obligations vis-à-vis former members of the Management Board and their surviving dependants in the amount of € 3,704k. Their receipts amounted to € 235k in the financial year (previous year: € 235k).

Provided that the annual shareholders' meeting approves the dividend proposal, the total compensation in the year under report of the Supervisory Board will be € 1,378k (previous year: € 1,170k), of which the variable share of compensation is € 891k (previous year: € 680k).

The table below shows the total amounts from transactions with associates and joint ventures:

Purchases/sales from/to related persons € '000	Fiscal year	Income from sales and services to related parties	Purchases from related parties	Amounts due from related parties	Amounts due to related parties
Joint ventures	**2006**	**1,612**	**3,791**	**150**	**1,688**
	2005	282	4,123	916	2,195
Associated companies	**2006**	**1,550**	**1,742**	**101**	**0**
	2005	131	0	0	176

The transactions with associates and joint ventures were effected on standard market terms.

One close relative of a board member is managing director of a LEONI Group subsidiary and for this receives compensation on standard market terms.

There were no other reportable transactions with related parties.

[32] Declaration pertaining to the German Corporate Governance Code pursuant to § 161 of the German Public Companies Act (AktG)

On 7 December 2006, the Management Board and the Supervisory Board issued the updated declaration of conformity pursuant to § 161 of the German Public Companies Act and made this available to shareholders on a permanent basis by publishing it on the internet (www.leoni.com). The declaration of conformity is also included in the Corporate Governance report, which is published in the 2006 Annual Report.

[33] Events occurring after the balance sheet date

On 1 January 2007, LEONI acquired 51 percent of the shares in Jena-based j-fiber GmbH at a price of € 1,121k. The Company is jointly managed and will therefore in future be accounted for by the equity method in the consolidated financial statements.

The company is one of Europe's leading suppliers of optical glass fibers, which are used primarily in cables for corporate networks as well as in the telecommunications industry. The j-fiber subsidiary j-plasma is focused on manufacturing what are known as special preforms (glass blocks), which are processed into glass fibers for sophisticated applications in medical and automation equipment, among others.

Nuremberg, 28 February 2007

LEONI AG
The Management Board

Dr Klaus Probst Dieter Bellé Uwe H. Lamann

Scope of consolidation

	Ownership in %
I. Consolidated companies	
LEONI AG, Nuremberg, Germany	
1. Wire & Cable Division	
Federal Republic of Germany	
LEONI Kabel Holding GmbH & Co. KG, Nuremberg [1]	100
Haarländer GmbH, Roth	100
KB Kabel Beteiligungs-GmbH, Nuremberg	100
Kerpen GmbH & Co. KG, Stolberg [1]	100
Kerpen Verwaltungs-GmbH, Stolberg	100
Kerpen CTI GmbH, Stolberg	100
Klink + Oechsle GmbH, Ettlingen	100
LEONI Automotive Cables GmbH i.L., Brake	100
LEONI Cable Assemblies GmbH, Roth	100
LEONI Draht GmbH, Nuremberg	100
LEONI elocab GmbH, Georgensgmuend	100
LEONI Fiber Optics GmbH, Neuhaus-Schierschnitz	100
LEONI HighTemp Solutions GmbH, Radevormwald	100
LEONI Kabel GmbH, Nuremberg	100
LEONI Prinz Fiber Optics GmbH, Stromberg	100
LEONI protec cable systems GmbH, Schmalkalden	100
LEONI Special Cables GmbH, Friesoythe	100
LEONI Spezialkabelvertrieb Süd GmbH, Georgensgmuend	100
LEONI & STUDER Transportation Systems GmbH, Roettenbach	100
neumatic Elektronik + Kabeltechnik GmbH & Co. KG, Ulm [1]	100
Studer Services GmbH, Riedstadt	100
Other European countries	
CWA Immobilien N.V., Hasselt, Belgium	100
Kerpen Special Limited, Stratford upon Avon, UK	100
LEONI Automotive Cable Polska sp. z o.o., Kobierzyce, Poland	100
LEONI Cable Assemblies (Belgium) N.V., Hasselt, Belgium	100

	Ownership in %
LEONI Cable Slovakia spol. s.r.o., Stará Turá, Slovakia	99
LEONI CIA Cable Systems S.A.S., Chartres, France	100
LEONI Felisi S.r.l., Milan, Italy	100
LEONI Ireland Ltd., Birr, Ireland	100
LEONI Kabel Polska sp. z o.o., Kobierzyce, Poland	100
LEONI Kablo ve Teknolojileri Sanayi ve Ticaret Limited Sirketi, Mudanya, Turkey	95
LEONI Slowakia spol. s.r.o., Nová Dubnica, Slovakia	100
LEONI Special Cables Iberica S.A., Barcelona, Spain	82
LEONI Tailor-Made Cable UK Limited, Chesterfield, Derbyshire, UK	80
LEONI Temco Ltd., Cinderford, Gloucestershire,UK	100
LEONI UK Limited, Stansted, Essex, UK	100
LKH LEONI Kábelgyár Hungaria Kft., Hatvan, Hungary	100
NBG FIBER-OPTIC GMBH, Gmuend, Austria	100
neumatic cz s.r.o., Turnov, Czech Republic	90
Studer Draht- und Kabelwerk AG, Daeniken, Switzerland	100
Outside Europe	
LEONI (Changzhou) Wire Co. Ltd., Changzhou, China	100
LEONI Wire Inc., Chicopee, Massachusetts, USA [2]	100
LEONI Wire (Changzhou) Co. Ltd., Changzhou, China	100
LEONI Elocab Ltd., Kitchener, Ontario, Canada	100
LEONI Cable Inc., Rochester, Michigan, USA [2]	100
LEONI Cable S.A. de C.V., Cuauhtémoc, Chihuahua, Mexico [2]	100
LEONI Cable (Changzhou) Co. Ltd., Changzhou, China	100
LEONI Engineering Products & Services Inc., Southfield, Michigan, USA	100
LEONI Special Cables (Changzhou) Co. Ltd., Changzhou, China	100
LEONI (Xiamen) Electronics Co. Ltd., Xiamen, China	100
Kerpen (S.E.A.) Pte. Ltd., Singapore	51
Kerpen (Thailand) Company Ltd., Bangkok, Thailand	60
Kerpen (M) Sdn. Bhd., Subang Jaya, Malaysia	100
LEONI Special Cables (India) Private Limited, Mumbai, India	100
Kerpen Cable (Shanghai) Co. Ltd., Shanghai, China	100

	Ownership in %
2. Wiring Systems Division	
Federal Republic of Germany	
LEONI Bordnetz-Systeme GmbH, Kitzingen	100
Leonische Drahtwerke Bordnetze GmbH & Co. KG, Lilienthal [1]	100
LEONI Automotive Leads GmbH, Brake	100
Other European countries	
LEONI Autokabel Polska sp. z o.o., Ostrzeszow, Poland	100
LEONI Autokabel Slowakia spol. s.r.o., Trencin, Slovakia	100
LEONI Hungaria Kft., Eger, Hungary	100
Leonische Portugal Lda., Lugar de Sao Martinho, Guimaraes, Portugal	100
LEONI Wiring Systems Arad S.R.L., Arad, Romania	100
LEONI Wiring Systems RO S.R.L., Bistrita, Romania	100
LEONI Wiring Systems UA (GmbH), Strij, Ukraine	100
LEONI Wiring Systems UA Mukachevo (GmbH), Mukachevo, Ukraine	100
LEONI Wiring Systems U.K. Ltd., Newcastle-under-Lyme, Staffordshire, UK	100
Outside Europe	
LEONI Automotive do Brasil Ltda., Itú, Saõ Paulo, Brazil	100
LEONI Tunisie S.A., Messadine-Sousse, Tunisia	100
LEONI Wiring Systems Egypt S.A.E., Nasr City, Kairo, Egypt	100
LEONI Wiring Systems Inc., Tucson, Arizona, USA	100
LEONI Wiring Systems Mexicana S.A. de C.V., Hermosillo, Mexico	100
LEONI Wiring Systems (Changchun) Co. Ltd., Changchun, China	75
LEONI Wiring Systems (Changzhou) Co. Ltd., Changzhou, China	100
LEONI Wiring Systems (East London) (Pty.) Ltd., East London, South Africa	100
LEONI Wiring Systems (Liuzhou) Co. Ltd., Liuzhou, China	100
LEONI Electrical Systems (Shanghai) Co. Ltd., Shanghai, China	100

	Ownership in %
II. Associated companies and joint ventures	
1. Wire & Cable Division	
advintec GmbH, Laatzen, Germany	50
LEONI Robokeep S.A., Les Mureaux, France	49
Rosenberger LEONI Site Solutions LLC, Wilmington, Delaware, USA	33
2. Wiring Systems Division	
Intedis GmbH & Co. KG, Wuerzburg, Germany	50
Intedis Verwaltungs-GmbH, Wuerzburg, Germany	50

[1] Companies that make use of the exemption under § 264b of the German Commercial Code.
[2] These companies are legally part of the Wiring Systems Division.

Auditors' Report

Translation of the German audit opinion concerning the audit of the financial statements prepared in German:

We have audited the consolidated financial statements prepared by LEONI AG, Nuremberg, comprising the income statement, the cash flow statement, the balance sheet, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2006. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) as well as the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the entities to be included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Nuremberg, 28 February 2007

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Additional information

LEONI AG Income statement

HGB

€ '000 01/01 to 12/31	2006	2005
1. Other operating income	36,029	32,256
2. Personnel expenditure:		
a) wages and salaries	13,942	12,181
b) social security contributions and expenditure for retirement benefits and support payments	3,308	6,236
	(17,250)	(18,417)
3. Amortisation of intangible investment assets and depreciation of property, plant and equipment	(2,517)	(2,956)
4. Other operating expenses	(23,591)	(24,315)
5. Income from investments	30,980	47,574
6. Income from financial loans	18,777	17,702
7. Other interest and similar income	11,989	7,899
8. Writedowns on investments	(1,511)	(3,200)
9. Interest and similar expenses	(20,489)	(14,534)
10. Income before taxes	**32,417**	**42,009**
11. Income taxes	(4,377)	(4,312)
12. Other taxes	(79)	(68)
13. Net income	**27,961**	**37,629**
14. Earnings brought forward from the previous year	2,219	319
15. Transfer to other retained earnings	(4,000)	(18,800)
16. Distributable profit	**26,180**	**19,148**

LEONI AG Balance sheet

HGB

€ '000		2006	2005
Assets	Intangible assets	1,359	1,943
	Property, plant and equipment	6,155	5,530
	Shares in affiliated companies	238,850	133,850
	Loans to affiliated companies	236,818	261,611
	Investments	475,668	395,461
	Fixed assets	**483,182**	**402,934**
	Accounts receivable and other assets	279,901	216,133
	Cash and cash equivalents	101,316	106,527
	Current assets	**381,217**	**322,660**
	Deferred income	**688**	**365**
	Total assets	**865,087**	**725,959**
Equity and liabilities	**Equity**	**330,917**	**319,885**
	Pension plans and similar obligations	18,018	17,232
	Tax provisions	10,080	2,228
	Other provisions and accruals	14,892	14,523
	Provisions and accruals	**42,990**	**33,983**
	Debt	**348,627**	**237,425**
	Other liabilities	**142,553**	**134,666**
	Total equity and liabilities	**865,087**	**725,959**

Dividend proposal

Distributable profit for fiscal 2006 determined under the German Commercial Code (HGB) amounts to	**€ 26,179,790.26**

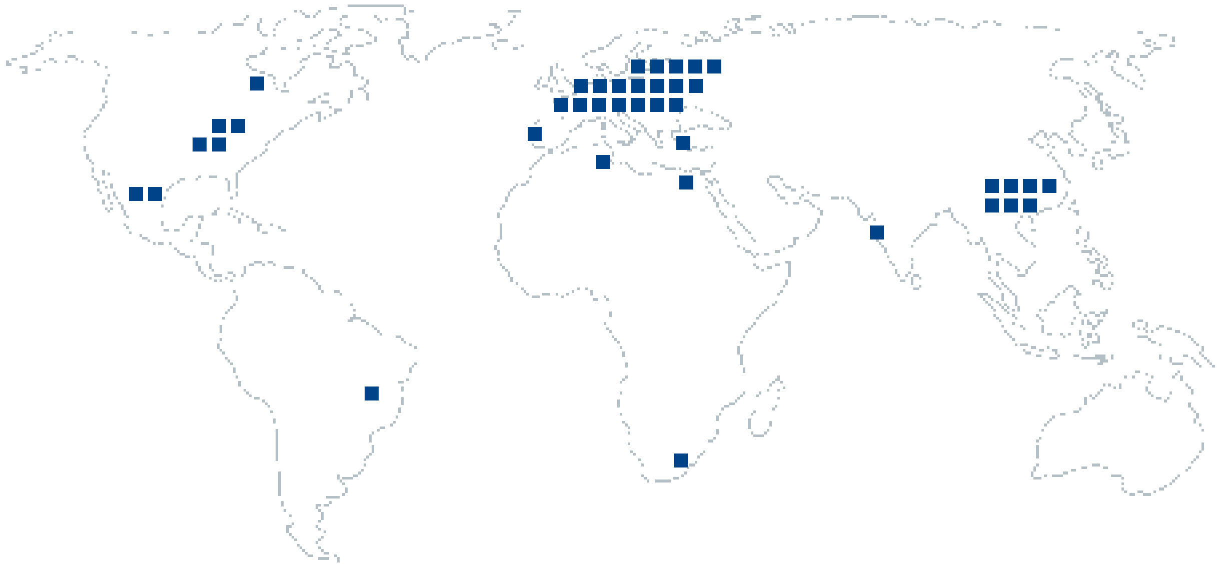
We propose to pay a dividend from this distributable profit of	**€ 0.80 per share**,
equal to a payout of	**€ 23,760,000.00**
and to carry the remainder of	**€ 2,419,790.26**
forward.	

Nuremberg, 28 February 2007

LEONI AG
The Management Board

Index of key words

LEONI worldwide



The most important companies of the LEONI Group

Wire & Cable

Germany:

LEONI Kabel Holding GmbH & Co. KG
LEONI Draht GmbH
Haarländer GmbH
LEONI Kabel GmbH
LEONI Special Cables GmbH
LEONI Protec Cable Systems GmbH
LEONI Elocab GmbH
LEONI Fiber Optics GmbH
LEONI Cable Assemblies GmbH
Klink+Oechsle GmbH
Kerpen GmbH & Co. KG
neumatic Elektronik + Kabeltechnik GmbH & Co. KG
advintec GmbH
LEONI & STUDER Transportation Systems GmbH
LEONI Prinz Fiber Optics GmbH
LEONI HighTemp Solutions GmbH

Abroad:

LEONI Temco Ltd., UK
LEONI U.K. Ltd., UK
LEONI Ireland Ltd., Ireland
LEONI Cable Assemblies (Belgium) N.V., Belgium
LEONI CIA Cable Systems S.A., France
LEONI Felisi S.r.L., Italy
NBG Fiber Optic GmbH, Austria
Studer Draht- und Kabelwerk AG, Switzerland
LEONI Special Cables Iberica S.A., Spain
LEONI Slowakia spol.s.r.o., Slovakia
LEONI Cable Slovakia s.r.o., Slovakia
neumatic cz s.r.o., Czech Republic
LEONI Kabel Polska Sp.z.o.o., Poland
LEONI Automotive Cable Polska Sp.z.o.o., Poland
LKH LEONI Kábelgyár Hungaria Kft., Hungary
LEONI Kablo ve Teknolojileri Sanayi ve Ticaret Limited Sirketi, Turkey
LEONI Wire Inc., USA
LEONI Cable Inc., USA
LEONI Engineering, Products & Services Inc., USA
LEONI Elocab Ltd., Canada
LEONI Cable S.A. de C.V., Mexico
LEONI Wire (Changzhou) Co. Ltd., China
LEONI (Xiamen) Electronics Co. Ltd., China
LEONI Cable (Changzhou) Co. Ltd., China
LEONI Special Cables (Changzhou) Co. Ltd., China
LEONI Special Cables (India) Private Limited, India

Wiring Systems

Germany:

LEONI Bordnetz-Systeme GmbH
LEONI Automotive Leads GmbH
Intedis GmbH & Co. KG

Abroad:

LEONI Wiring Systems U.K. Ltd., UK
Leonische Portugal Lda., Portugal
LEONI Autokabel Slowakia spol.s.r.o., Slovakia
LEONI Autokabel Polska Sp.z.o.o., Poland
LEONI Wiring Systems Arad s.r.l., Rumania
LEONI Wiring Systems RO s.r.l., Rumania
LEONI Hungaria Kft., Hungary
LEONI Wiring Systems UA (GmbH), Ukraine
LEONI Tunisie S.A., Tunesia
LEONI Wiring Systems Egypt S.A.E., Egypt
LEONI Wiring Systems (East London) (Pty.) Ltd., South Africa
LEONI Wiring Systems Inc., USA
LEONI Wiring Systems Mexicana S.A. de C.V., Mexico
LEONI Automotive do Brasil Ltda., Brazil
LEONI Wiring Systems (Changchun) Co. Ltd., China
LEONI Wiring Systems (Liuzhou) Co. Ltd., China
LEONI Electrical Systems (Shanghai) Co. Ltd., China

Key dates

Balance Sheet Press Conference
21 March 2007, 10:00 hours
Nuremberg Press Club

Analysts Meeting
22 March 2007, 11:00 hours
Auditorium, Commerzbank AG,
Frankfurt

Annual General Meeting 2007
3 May 2007, 10:00 hours
CCN Congress Center, Hall "Brüssel",
NürnbergMesse

1st Quarter Report
2 May 2007

2nd Quarter Report
2 August 2007

3rd Quarter Report
5 November 2007

Preliminary Figures 2007
Media release mid February 2008

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